

JPRS-WER-85-078

23 September 1985

West Europe Report

FBIS FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

23 September 1985

WEST EUROPE REPORT

CONTENTS

POLITICAL

BELGIUM

- Francophone Democratic Front Rejects Party Alliances
(Janine Claeys; LE SOIR, 4 Jun 85)..... 1

FEDERAL REPUBLIC OF GERMANY

- SPD, CSU Foundations Active in Training PRC Professionals
(FAYERNFURIER, 10 Aug 85; VORWAERTS, 20 Jul 85)..... 4
- CSU Stresses Technical Training, by Christoph Minhoff 4
SDP Targets Media Specialists, by Klaus Reiff 6

FRANCE

- Role of Municipal Elections in Political Development
(Elisabeth Dupoirier, et al.; REVUE FRANCAISE DE
SCIENCE POLITIQUE, Feb 85)..... 8

GREECE

- Dissatisfaction, Ferment Reported Within PASOK
(I VRADYNI, 12 Aug 85)..... 33
- Papandreou Said To Aim at Limiting 'Troika' Influence
(I. Evstathiou; AKROPOLIS, 18 Aug 85)..... 35
- Political Problems Seen Preventing Progress on Economy
(Panos Loukakos; KYRIAKATIKI ELEVTHEROTYPIA, 18 Aug 85). 37
- PASOK's Disarmament Views Said Antiethical
(G. Lampsas; MESIMVRINI, 17 Aug 85)..... 39

PASOK Reportedly Dissatisfied With Sartzetakis (ENA, 1 Aug 85).....	41
'National Pride' No Obstacle to Membership in United Europe (Giorgis Massavetas; ELEVETHEROTYPIA, 11 Aug 85).....	42
Perceived Degradation of Institutions: Responsibilities Ascribed (Nikos Politis; I KATHIMERINI, 17 Aug 85).....	44
ITALY	
PCI's Angius Warns Plenum Not To Allow Factions (Gavino Angius; L'UNITA, 25 Jul 85).....	46
Boffa Deplores PCI 'Hesitancy' on Security Policy (Giuseppe Boffa; L'UNITA, 25 Jul 85).....	49
PCI's Cossutta on 'Transcending' Capitalism (Armando Cossutta; L'UNITA, 21 Aug 85).....	51
NETHERLANDS	
Survey Says Van Aardenne Should Resign (ANP NEWS BULLETIN, 24 Jul 85).....	53
PORTUGAL	
PCP's Dilemma: How To Avoid Isolation (Jose Antonio Saraiva; EXPRESSO, 24 Aug 85).....	55
SWEDEN	
Foreign Minister Censures Ambassador's Comments on USSR (Robert Braunerhielm; DAGENS NYHETER, 28 Jul 85).....	57
MILITARY	
EUROPEAN AFFAIRS	
Mitterrand 'Takes Note' of FRG Proposal To Renew EFA Talks (FRANKFURTER ALLGEMEINE, 29 Jul 85).....	59
AUSTRIA	
SPOe's Wille Calls for Debate on Missiles for Army (Hubertus Czernin; PROFIL, 29 Jul 85).....	60

BELGIUM

Problems With Assimilation of New Army Equipment (Roger Rosart; LA LIBRE BELGIQUE, 22 Jul 85).....	63
---	----

DENMARK

Locations, Plans of Wartime Command Centers Revealed (Tune Nyborg, Kim Hundevadt; INFORMATION, 20-21 Jul 85).	66
Former Armed Forces Chief Hits Socialist People's Plan (Niels-Jacob Andersen; INFORMATION, 25 Jul 85).....	70
Former SDP Defense Minister of Officers' Media Comments (Bent Agger; INFORMATION, 23 Jul 85).....	78
Air Force Pilots' Representative on Ministers' Views (Birger Kagen; BERLINGSKE TIDENDE, 26 Jul 85).....	82
'Confusion' Seen in Social Democrats' Security Policy (Editorial; POLITIKEN, 21 Aug 85).....	84
Engell Rejects Heseltine's Criticisms of Defense Credibility (Hans Engell; BERLINGSKE TIDENDE, 11 Aug 85).....	86

FEDERAL REPUBLIC OF GERMANY

Senior Defense Official on Manpower, Arms Cooperation, SDI (Manfred Timmermann Interview; TRUPPENPRAXIS, Jul 85)...	90
French Conventional, Not Nuclear, Arms Seen as Security (Kurt Becker; DIE ZEIT, 12 Jul 85).....	98
MLRS To Bring High Versatility to Division Level Artillery (BUNDESWEHR AKTUELL, 10 Jul 85).....	101
Reserve Mobilization Exercise Reduces Training Tedium (BUNDESWEHR, 17 Jul 85).....	103

NETHERLANDS

Budget Constraints To Force Naval Cutbacks (Pieter Maessen; NRC HANDELSBLAD, 15 Aug 85).....	104
Briefs New Combat Uniform	107

NORWAY

- Conservative Daily Ponders Labor Party Security Policy
(AFTENPOSTEN, 17 Aug 85)..... 108

SWEDEN

- Defense Staff Censures Officer's Comments on 'Soviet' Subs
(Bengt Falkkloo; DAGENS NYHETER, 23 Jul 85)..... 110

ECONOMIC

BELGIUM

- Deputy Prime Minister Gol Repents
(Jan Schils; ELSEVIERS WEEKBLAD, 27 Jul 85)..... 111

FEDERAL REPUBLIC OF GERMANY

- Senior PRC Official Reviews PRC-FRG Trade, Cooperation
(Jia Shi; VORWAERTS, 20 Jul 85)..... 115

- Alternative Production Sought for 1987 Leopard 2 Phase-Out
(HANDELSBLATT, 11 Jul 85)..... 119

ITALY

- Barter Deals in Foreign Trade Becoming Popular
(Paola Pilati; L'ESPRESSO, 21 Jul 85)..... 120

NETHERLANDS

- Ruding on 1986 Budget, Deficit, Tax Reduction
(Nico Van Grieken/Henk Schol; ELSEVIERS WEEKBLAD,
27 Jul 85)..... 123

- Hundred Million Guilder Loan to Aruba
(ANP NEWS BULLETIN, 14, 15 Aug 85)..... 133

- De Koning Announces Loan 133
Financing of Loan 134

- Unemployment Predicted To Be 765,000 in 1986
(ANP NEWS BULLETIN, 15 Aug 85)..... 135

SWEDEN

IMF Report Seen Boosting Feldt as Likely Palme Successor (DAGENS NYHETER, 13 Aug 85).....	137
Palme Promises Tighter Budget, by Dick Ljungberg	137
IMF Urges Austerity, by Sven Svensson	139
Feldt Could Succeed Palme, by Sven Svensson	140
Risks Seen for Feldt, Editorial	142
Industrial Investment Lags as Stock Market Profits Soar (Per Afrell; DAGENS NYHETER, 28 Jul 85).....	144
Paper Comments on Implications of Leaked IMF Report (Editorial; DAGENS NYHETER, 14 Aug 85).....	149

TURKEY

Eren Puts Relations With Europe in Context of Economic War (Nuri Eren; GUNAYDIN, 21 Jul 85).....	151
---	-----

ENERGY

EUROPEAN AFFAIRS

EC's New Energy Policy Objectives to 1995 (RASSEGNA PETROLIFERA, 27 May 85).....	156
---	-----

DENMARK

Oil Drilling Monopoly Chief on Job, Policies (Henrik Skov; AKTUEL, 8 Aug 85).....	159
--	-----

NETHERLANDS

Gas Reserves Down by 45 Billion Cubic Meters (ANP NEWS BULLETIN, 3 Aug 85).....	163
--	-----

OCEAN/POLAR ISSUES

BELGIUM

Program of Antarctic Research Planned (Guy Duplat; LE SOIR, 1 Aug 85).....	164
---	-----

ENVIRONMENTAL QUALITY

EUROPEAN AFFAIRS

Swedish Marine Biologist Warns Baltic in Danger (Bitte Hammargren; DAGENS NYHETER, 25 Jul 85).....	166
---	-----

POLITICAL

BELGIUM

FRANCOPHONE DEMOCRATIC FRONT REJECTS PARTY ALLIANCES

Brussels LE SOIR in French 4 Jun 85 p 2

[Article by Janine Claeys: "The Festivities are over for the FDF Which Choses to Fall Back on Brussels and Isolation"]

[Text] What were the conclusions arrived at by the FDF [Francophone Democratic Front] Congress on Saturday morning? In a way, the conclusions reached were that "the festivities are over"; that the dreams have disappeared of seeing the main ideas of the party adopted by others; that the decision taken by the leaders some five years ago to build a unity of action with the walloon federalists was a mistake. "FDF = Brussels = FDF" was the slogan of the congress. The themes developed by most of the speakers revolved around the pure line, which must be recovered, and the loneliness of the fight. These are Chairman Clerfayt's ideas. Today, he certainly appears as the real head of the Brussels formation. Those who do not think as he does are in a minority made up of intellectuals unsupported by the rank and file. Nonetheless, it should be emphasized, none of the speakers openly opposed Clerfayt's doctrine, not even Antoinette Spaak whose speech was eagerly awaited.

There were not very many people Saturday morning at Uccle's Cultural Center--three to four hundred at the most. All those attending, however, warmly applauded the main points. No one voted against the "Brussels Region Platform of Hope"--hardly original--focused on the FDF's federalistic and pluralistic status in Brussels, on an economic community of interest, etc.

With the exception of those speakers representing the local section, such as Guy Brasseur, who warned the audience against the "policy of a mausoleum", there was a desire to rebuild the FDF as it was before, and the leaders who had preceded Georges Clerfayt got a dressing down.

Here are a few sentences picked at random from the speeches: "The FDF must carry on the fight by itself, it must steer clear of an alliance with the PSC [Christian Social Party], which is a conservative and unitarian party; on some points we are more in tune with the Flemish in Brussels than with

the Walloons; why try to form alliances with parties that have always betrayed us? We agree to play the rallying role if we are at the center of the rally; let's stand united around our program; it is indeed necessary to have the present enemy in our sights, namely, 'Hatry and his two conservative vestal virgins'; show the left that we are not on the right, and show the right that we are not on the left; we have lost one mayor to the oblivion called the RDB [Brussels democratic rally] and offshoot of the PS [Socialist Party]; the FDF is the purest party, we have one fundamental principle, let's follow it".

There were three major speeches by Georges Desir, Antoinette Spaak, and Georges Clerfayt.

The first speaker specifically attacked the PSC, "a hodgepodge torn between its left wing, which leans to the SeP [Solidarity and Participation], and its right wing that profits in large measure from the crisis". He stated again that he "took their OP [expansion unknown] as a challenge".

Clerfayt: The Scalping Dance Is Over

Mrs. Spaak has certainly demonstrated that she expresses herself more delicately. She rates the two agreements signed by all the francophone parties as particularly positive. What she said about the RW [Walloon Rally] could have been taken as a criticism of the RW because of its potential agreement with the PSC. However, by reading her text more closely, one realizes that she is warning against a development within the FDF corresponding to a similar development within the RW the former chairman of which "is today negotiating to join the PSC, practically without conditions". In other words, Mrs. Spaak has in no way been critical of her party's choices; however, she expressed her concern regarding its strategy: "It would be a fatal mistake to pretend to voters, who will not follow us, that we are the best and only ones", and further, "The impression of firmness in our objectives and of flexibility in our strategy will be...appealing and a bearer of hope."

Georges Clerfayt has focused his remarks on the reasons why it is not necessary to seek alliances if they are not based upon a firm and clear text composed by the FDF. "Beginning today, the blackest despair will prevail among those who dance the scalping dance around the FDF", and further, "Those who want to anesthetize the Brussels citizens and to lull them to sleep so as to lead them to resignation suggest that our remarks are addicted to the past"; "What may lead to the setting up of the Brussels region, is the solemn pledge of all the francophone parties to enter a government only if the latter carries out immediately the application to Brussels of Article 107 quater of the Constitution, according to the democratic principles contained within the FDF plan"; "It is necessary to know that the proposals for a rally allegedly by the center...pursue one objective: to lessen Brussels' awareness and to diminish its resistance"; "The FDF has always been the rallying point for Brussels", and finally, "Let us get our second wind."

Obviously, those who participated in the congress were ready to fight to get this second wind; however, they were few in number.

The congress, therefore, appears to be the end of a period. Behind the scenes, however, especially after the summer holidays, some people might choose to make themselves conspicuous. Because it is necessary to know that even if the FDF is preparing to line up contacts--particularly with the Flemish parties and with the economic sector--its desire to appear as the rallying force no longer has any chance of success. Now, some are afraid of being isolated.

9766

CSO: 3619/74

POLITICAL

FEDERAL REPUBLIC OF GERMANY

SPD, CSU FOUNDATIONS ACTIVE IN TRAINING PRC PROFESSIONALS

CSU Stresses Technical Training

Munich BAYERNKURIER in German 10 Aug 85 p 10

[Article by Christoph Minhoff: "Dual System for a People's Republic"]

[Text] Last week, 26 Chinese trainees happily and proudly received their graduation certificates from Dr Rainer Gepperth, deputy manager of the Hanns Seidel Foundation and head of the Institute for International Meetings and Cooperation. The bestowal of these documents in the center for education at Wildbad Kreuth concluded the first installment of a new development aid project. In cooperation with the Peking Ministry of Education, the Hanns Seidel Foundation provides assistance with the establishment of centers of education for the sectors electrical engineering, the automobile industry and construction in the People's Republic of China. Such centers are to be set up in Shanghai, Shiyen and Nanking.

This project of the Seidel Foundation is of particular importance for China as part of the Chinese modernization concept. By the end of this millenium, China intends to have caught up with the industrialized nations. Ren Tao, section head in the Economic Research Center subordinated to the Council of State, commented: "Our prime objective for the end of this century is that of spreading technologies already in place in the developed countries in the late 1960's and early 1970's, provided they respond to the specific needs of the important branches of the Chinese economy."

The same objective is conspicuous in the current Five-Year Plan for the period 1981-1986. This plan accords priority to the technical reequipment and modernization of existing factories. Its key projects concentrate on energy production and supply, and it is largely concerned with developing science and education, especially with the goal of raising the standard of managerial skills.

The establishment of the People's Republic of China in 1949 was followed by an educational explosion. In 1982, 93 percent of school age children were registered and actually attended school, compared with 20 percent in 1949. Elementary and secondary schools as well as colleges trained an immeasurably larger number of students. It came to the point that the capacities of the

universities were exhausted. At the present time, no more than 2.5 percent of Chinese secondary school graduates can be admitted to the colleges of the country. Moreover, professional education suffered serious reverses during the Cultural Revolution, with the result that the surplus of secondary school graduates unable to proceed to further education keeps on increasing. The consequence is unemployment and the compulsion to accept jobs far below the applicants' educational level.

The shortage of training facilities for skilled workers is currently the greatest obstacle to the implementation of the government's modernization program. Only 1 percent of all workers have received prior vocational training at technical or vocational schools. Progress is impossible without a body of skilled workers who are not only able to operate high-tech equipment but are also capable of developing new devices. The authorities in Beijing have long realized that. Just lately, Ni Zhi-fu, chairman of the All-China Labor Union Federation, called for greater efforts, because the workers' standard of technical training did not meet the demands of the modernization program. Zhang Yiang, vice president of the Chinese Educational Federation, estimates that, by 1990, China will have to double its roughly 10 million skilled personnel at all levels and quadruple them to 40 million by the end of the century. Only thus will it be able to achieve its economic and social goals, in particular by technical reforms in existing factories, the improvement of management and the increase in economic yields.

The Seidel Foundation's development project is concerned with just this central problem of the further economic development of China--the workers' lack of vocational training. It intends to make the system of dual vocational education the basis of vocational training in the People's Republic of China, because that system had proven very efficient indeed in the post World War II reconstruction period in Germany.

The first stage has already been completed. The lately graduated trainees received vocational instruction in the electrical engineering, construction and automobile industries. At the same time they were provided with further vocational-pedagogical education. Upon their return home, the 26 graduates are to pass on their knowledge to future vocational instructors. They will continue to be assisted by project managers from the Hanns Seidel Foundation now in the People's Republic.

The trainees had learned German before arriving in the Federal Republic of Germany. Asked about their personal experiences in the strange surroundings, they constantly repeat that they had been received with much friendliness. Indeed, they enjoyed excellent contacts with German families. The Chinese emphasized their great esteem for the frankness of the people they had met. It is not quite clear whether they mean by this the freedom of expression to which they are not accustomed.

The Chinese guests received their on-the-job training in the factories of Siemens, MAN-Munich and the Eckersberg vocational training plant. The vocational training colleges at Dachau, Pfaffenhofen and Erding taught them the necessary theoretical knowledge to complement the specialized practical training. The project is to be concluded by 1987, at which time the Seidel

Foundation will study the results. If the pilot project turns out to have been successful--and the Chinese leadership's great interest in the center in Nanking, smoothly operating by now, seems to confirm that--, the dual vocational education system may turn into a fixture in the People's Republic of China. This might benefit only the development of that country but also the development of economic relations with the FRG.

SPD Targets Media Specialists

Bonn VORWAERTS [Supplement CHINA '85] in German 20 Jul 85 p 9

[Article by Klaus Reiff: "The Friedrich Ebert Foundation in the People's Republic of China"]

[Text] Last April's visit to the People's Republic of China by Holger Boerner, prime minister of Hesse and deputy chairman of the Friedrich Ebert Foundation, was another milestone in the foundation's cooperation with Chinese partner organizations. The esteem enjoyed by the foundation in the People's Republic of China was reflected in the fact (among others) that CPC General Secretary Hu Yaobang received the delegation of the Friedrich Ebert Foundation in his office. The conversation included the discussion of the various operations of the foundation in the Middle Kingdom.

A broad spectrum of various cooperation contacts has been developed in 5 years of cooperation with Chinese partners. They range from the training and further education of specialists for radio and television and cooperation with the party college in Beijing to the award of grants to Chinese scholars for study in the Federal Republic of Germany.

Within the framework of cooperation between the FES [Friedrich Ebert Foundation] and the Chinese Ministry of Radio and Television (which has been going on for the past 5 years), 59 radio and television specialists have come as 1-year trainees to ARD [Working Group of FRG Broadcasting Institutes] facilities, the ZDF [Second German Television Program], German industry and research and education institutions of the FRG. At the same time some 600 radio and television personnel in the People's Republic of China attended training courses run by German experts sent to China by the FES.

For many years a representative of the foundation has been operating in Beijing to coordinate measures in the sphere of radio and television. Among his other duties, he initiates further education events, organizes courses and advises the ministry on various aspects, especially regarding the improvement of television programming. In response to a request by the Chinese partner, the FES will shortly assist the drafting of a Chinese broadcasting law.

Current further educational events focus on issues of management, the production of television news, the exchange of televised news and electronic data processing.

The FES grant program for Chinese scholars, offering them an opportunity to study in the FRG, is also almost 5 years old. At the present time a total of

84 Chinese scholars are guests of the Friedrich Ebert Foundation. Within the scope of their scientific labors, they are concerned primarily with technical and natural science topics, the study of German and sociological issues.

This grant program was initiated as a result of both parties' wish to provide Chinese scholars with an opportunity after the Cultural Revolution to rejoin the international standard of science. In the meantime the FES also initiated a special program for agricultural scientists from Sichuan Province, in order to make a contribution to the agricultural development of that region.

Especially significant in political terms is the FES' cooperation with the CPC party college in Beijing. This focuses on the exchange of literature and instructors. The foundation carries on the exchange of delegations of experts and the organization of colloquiums and conferences on topics of mutual interest by working with the Society for International Understanding, another partner in Beijing. Among other things, the possible methods and the opportunities for more intensive economic cooperation between the People's Republic of China and the Federal Republic of Germany are also discussed on these occasions.

The research institute of the Friedrich Ebert Foundation cooperates with several important research facilities in China, among others the Chinese Academy for Social Sciences in Beijing. The Karl Marx House in Trier, backed by the FES, maintains scholarly exchanges with several Chinese institutions involved in Marxist studies. Many groups and individuals from the People's Republic of China are guests at the Karl Marx House in Trier each year.

To complement this multilateral research cooperation with the People's Republic of China, a permanent staff member of the Friedrich Ebert Foundation left for Shanghai some weeks ago. He is to further intensify cooperation with Shanghai's Institute for World Economy.

In the first months of this year, another additional cooperation project has been prepared in the economic sphere: Concrete projects for cooperation in the sectors of farm cooperatives, small-scale industry and the promotion of commerce are to be initiated in Sichuan, the most densely populated province of the People's Republic of China. It is expected that a full-time FES employee will be sent to Sichuan in the second half of 1985.

11698

CSO: 3620/484

POLITICAL

FRANCE

ROLE OF MUNICIPAL ELECTIONS IN POLITICAL DEVELOPMENT

Paris REVUE FRANCAISE DE SCIENCE POLITIQUE in French Feb 85 pp 46-70

[Article by Elisabeth Dupoirier, Gerard Grunberg and Beatrice Roy]

[Text] Between 1965 and 1978, the French political system underwent a series of major changes. The 1974 presidential election saw the triumph of the bipolarization of political forces presaged by the second round of the 1965 presidential election. The party system was thrown into disarray by this trend toward bipolarization. In 1978 the "bipolar quadrille" made its appearance. Four major political parties occupied almost all of the political and election terrain and formed two opposing alliances on the left and on the right. The purpose of this article is to show how the political systems of urbanized areas (towns with over 9,000 inhabitants) have adapted to this change in the national political system, and how local election structures have adjusted themselves to fit national election structures. In our view, the period separating the municipal elections of 1971 from those of 1983 forms a homogenous political evolutionary sequence.

We will show to what extent and through which mechanisms the dual movement of bipolarization and of "partisanization"--understood as the growing influence of the four major political groups--has produced its effects on local political systems. Then, by observing the evolution of both local and national election structures, we will attempt to point out the overall movement of which these two developments form a part. In this analysis, we will discuss the model of intermediate elections which J.-L. Parodi applied to the 1983 municipal elections¹, and develop the idea that, no matter how specific municipal elections may be, municipal votes do mark important and significant stages in the general evolution of a political system and in the balance of electoral strength².

Municipal Evolutions in Urbanized France

A preliminary examination of the trends in votes cast in the first rounds of the municipal elections of 1971, 1977, and 1983 shows how local systems are affected by changes in the national political system (see Table 1):

Table 1: Trends in votes cast in the municipal elections of 1971, 1977, and 1983 in towns with over 9,000 inhabitants (%)

Political label of heads of slates	1971	1977	1983
Far left	2.1	1.3	1
PCF [French Communist Party]	26.7	22	13.3
PS [Socialist Party]	15.8	26	29.3
MRG [Left Radicals Movement] (1971 radicals)	2.1	1.4	0.5
Miscellaneous left	6.8	1.9	1.2
Total left	53.5	52.6	45.3
Center	16.7		
RPR [Rally for the Republic]		13.1	22
UDF [French Democratic Union] (1978 definition)	28.2	12.3	17.4
Miscellaneous majority (miscell. opposition 1983)		16.6	10.8
Miscellaneous right and far right	1	1	2.5
Total right	29.2	43	52.7
Miscellaneous + environmentalists		3.9	2.0
Remainder	0.6	0.5	
Total	100	100	100

1. Bipolarization occurred in 1977 with the disappearance of municipal centrism which in 1971 represented 16.7 percent of the votes cast. It was confirmed by the brief flare-up of the environmentalist and non-bloc candidacies in 1977.
2. The partisanization of the left was accomplished by 1977. The quasi-disappearance of the miscellaneous left and far left polarized the votes cast for the two major "rival-associates"; the total of the votes received by slates led by the PC and PS amounted to 79 percent of the left's votes in 1971, 91 percent in 1977 and 94 percent in 1983.
3. The trend toward partisanization of the right came later. Slates headed by non-party candidates still received 16.6 percent of the votes in 1977. But their decline in 1983 (down 8 percent), in contrast to the considerable progress made by the RPR and UDF slates, revealed the reality of this

trend. The right's two major parties won 61 percent of the conservative bloc's voters in 1977, and 75 percent in 1983.

4. This two-fold partisanization movement means that the political field is almost entirely occupied by slates headed by the four major parties: 75 percent in 1977, and 82 percent in 1983.
5. Bipolarization did not offer the same advantages to the partners in each of the two blocs.

On the left, the growing support attracted by slates led by the PS brought about a reversal of the balance of party power with the PC starting in 1977. In 1971 slates led by socialists received 25 percent of the left's votes compared with 50 percent for the PC, but 49 percent compared with 42 percent for the PC in 1977. In 1983, the domination by the socialist slates was clear: they received 64 percent of the left's votes, compared with only 20 percent for the PC.

On the right, partisanization helped the RPR more than the UDF. RPR-led slates received 33 percent of the conservative bloc's votes in 1977, but got 41 percent of these votes in 1983.

Table 2: Political affiliation of mayors elected in 1971, 1977, and 1983*

	1971		1977		1983	
Left	322	43%	506	63%	428	49.5%
PC	137	18	220	27.5	186	22
PS	143	19	252	31.5	221	25.5
other left parties	42	6	34	4	21	2
Center	215	28				
Right	225	29	300	37	435	50.5
RPR			72	9	143	16.5
UDF			96	12	161	19
other right parties			133	16	131	15
Total	762	100	806	100	863	100

* The data given in all of the tables in this article are only for towns with 9,000 or more inhabitants. These are the towns which together make up urbanized France.

These changes are also evident in the shifting numbers of mayoralties held by the different political groups (see Table 2 above). In 1977, in the

context of a general breakthrough by the left, the PC and the PS shared in a balanced way 59 percent of the mayors' seats, compared with 37 percent in 1971, while the share of mayoralties held by the left outside the PC or PS declined from 6 percent to 4 percent between these two dates. This movement continued in 1983, while the left as a whole declined. On the right, partisanization progressed strongly in 1983. The RPR and UDF by themselves shared the gains (from 21 percent to 35.5 percent of the mayors' seats), while the share of mayoralties held by people on the right outside of these two parties did not increase. The UDF, slightly outdistanced by the RPR in terms of votes (see Table 1), held onto its preeminence in terms of municipalities (19 percent, with 16.5 percent for the RPR).

The Strategic Reorientation of the PS and the Spread of the Union of the Left (1971-1983)

Movements on the Left

The strategic reorientation of the left and in particular of the PS in 1977 was discussed in an article published in 1978³. Here we will extend this discussion until 1983 to confirm the importance of the 1977 election in this process, as 1983 was only a continuation of the movement which occurred 6 years earlier.

In 1977 a three-fold movement took place: the spread of the union of the left, systematization of this union strategy for the PS, and the PS's winning of the leadership in this union (see Table 3).

Table 3: Strategic reorganization on the left between 1971 and 1983

	1971	1977	1983
Percentage of the number of the left's union slates in all urbanized towns	40	80	83
Percentage of the number of slates led by the PC in all of the union slates	56	38	27
Percentage of the number of slates led by the PS in all of the union slates	28	61	73
Percentage of the number of union slates in all of the slates fielded by the PS	27	72	79

- a. Spread of the union of the left. The proportion of union slates doubled from 1971 to 1977 (from 40 percent to 80 percent). The adjustment of local political systems to the left's national strategy was done on a massive basis. It left outside only situations that were highly resistant to union, as shown by the slight increase in additional union slates in 1983.

- b. Systematization of the union strategy for the PS. This was just as drastic a change. In 1971 the diversity of the municipal alliances inherited from the Fourth Republic continued, often maintained from purely local considerations: 50 percent of the slates fielded by the Socialist Party were Third Force* coalitions, and only 27 percent were union slates with the PC. In 1983, 75 percent of the slates led by the socialists reflected this national strategy of alliance with the PC.
- c. The PS's winning of the leadership of the left. This was fast and massive. The PS led 28 percent of the union slates in 1971, 61 percent of them in 1977, and 73 percent in 1983 (see Table 3). The PS received a dual advantage from the breakup of the 1971 alliances and from the PC's election decline inside the left. Table 4 presents the socialist strategies in 1983, viewed from the starting positions in 1971. The PS leadership of the union appeared to be solidly based: maintained, when it already existed in 1971 (in 82 percent of the cases); forced on the PC when the socialists led homogenous or Third Force slates (in 67 and 54 percent of the cases, respectively); and won from the PC in 42 percent of the cities where the communists had led the union in 1971.

Table 4: Strategic evolution of the PS: 1971 to 1983

	Strategies in 1983			
	PC-led union slates	PS-led union slates	PS slates	Other slates
UGPC [Left union slates led by the PC]	49	42	8	1
UGPS [Left union slates led by the PS]	5	82	8	5
PS [Homogenous socialist slates]	15	67	18	
TFPS [Third Force slates led by the PS]	17	54	34	3

So this was indeed a systematic strategy which brought about a radical transformation of the type of candidates running for office. We may well question how it was seen by the electorates.

* Third Force coalitions were socialist-centrist alliance slates.

The Price of Union

In terms of votes as well as of municipalities won, this strategy generally paid off in 1977 during the left's period of expansion.

In 1971 the left in the broad sense of the term (including Third Force slates led by the PS and miscellaneous left slates) received 53.5 percent of the votes. It won 52.6 percent in 1977. The voters seemed to approve the reorganization of alliances: 75 percent of the votes for the left were cast for PC-PS union slates which in 1977 had received only 34 percent.

Nonetheless, the price the left paid--in terms of votes cast--for the strategic reorientation of the PS was sometimes higher than this overall view might suggest. The prices paid were in fact differential, depending on the 1971 situation (see Table 5):

Table 5: Strategic evolution of the PS and evolution of votes for the left between 1971 and 1977

Groups	Major strategic orientations of the PS*		Percentage of votes received by the left		Variation 1977-1971
	1971	1977	1971	1977	
1.	UGPC	UGPC	58	60	+ 2
2.	UGPC	UGPS	37	41	+ 4
3.	UGPS	UGPS	47	48	+ 1
4.	PS	UGPS	51	52	+ 1
5.	TFPS	UGPC	70	54	- 16
6.	TFPS	UGPS	63	53	- 10
7.	TFPS	PS	81	78	- 3
8.	TFC	UGPS	24	44	+ 20
	Urbanized France		53.5	52.6	- 0.9

* The abbreviations used here are the same as those given in Table 4, with the exception of TFC (Third Force coalition with centrist leadership).

- a. Zero, if the union had already existed in 1971, and especially if its continuation was accompanied by a change in leadership to the advantage of the PS. The pursuit of union brought about an increase in votes for the left (groups 1 to 4).
- b. Modest, when the PS broke off its alliances with the center, turning to homogenous slates (group 7).
- c. High, when the PS broke up Third Force alliances to join forces with the PC (groups 5 and 6).

Table 6: Strategic evolution of the PS and evolution of votes cast for the left between 1977 and 1983

Groups	Major strategic orientations of the PS		Percentage of votes received by the left		Variation 1983-1977
	1977	1983	1977	1983	
1.	UGPC	UGPC	63	55	- 8
2.	UGPC	UGPS	45	36	- 9
3.	UGPS	UGPS	46	41	- 5
4.	UGPC	PS	53	55	+ 2
5.	UGPS	PS	47	48	+ 1
6.	PS	UGPS	64	47	- 17
7.	PS	PS	76	62	- 14
	Urbanized France		52.6	45.3	- 7.3

In terms of mayors' seats held, this reorientation of alliances was highly profitable: the left retained 90 percent of the cities it had led in the past, and it won 58 percent of the municipalities formerly held by the center and the right. In 1977, the left governed 63 percent of urbanized towns in France.

In 1983, in the context of the left's general decline⁴, its loss of votes was widespread in the very great majority of the cities in which union slates had run in 1977 (see Table 6). Against this general trend, the left made gains only in towns in which the PS broke up the union in 1983. In cities in which the socialists had managed to keep their centrist supporters in 1977--by rejecting an alliance with the PC--the left's decline in 1983 was particularly strong, whether or not the PS decided to join forces with the PC. This would seem to indicate that, in the political context of 1983 characterized by extreme bipolarization, the PS's loss of the most centrist portion of its voters was irreparable, no matter what strategy it chose to follow locally.

In actuality, the electoral cost of the union strategy in 1983 depended a great deal on the alliance situation in 1971. It was in the cities in which socialism had at that time forged an alliance with centrism that the left's 1983 losses were very severe (see Table 7).

Either the downturn occurred in 1977 at the time of the adoption of the union strategy and continued in 1983 (groups 1, 2, and 3), or the downturn was cushioned in 1977, with the PS leaving the alliance with the center to form homogenous slates (groups 4 and 5). But in the latter case, its losses were definitely amplified in 1983. Whether or not it decided to join in a union with the PC, the PS then paid belatedly, but just as much, the price for its national union strategy.

Table 7: Evolution of votes cast for the left from 1971 to 1983 in cities with socialist-led Third Force slates in 1971, according to the PS's strategic evolution (%)

Groups	Strategic orientations			Percentage of votes cast received by the left			Variation 1983-1971
	1971 - 1983						
	1971	1977	1983	1971	1977	1983	
1.	TFPS	UGPC	UGPC	75	59	52	- 22
2.	TFPS	UGPS	UGPS	62	53	46	- 16
3.	TFPS	UGPS	PS	62	59	49	- 13
4.	TFPS	PS	UGPS	80	75	53	- 25
5.	TFPS	PS	PS	82	78	60	- 22
	Urbanized France			53.5	52.6	45.3	- 8

The shifting of the socialist electorate in cities with a center-left tradition provides one of the keys to the left's decline in 1983.

Table 8: Record of cities held by the PC and the PS in 1983 in relation to 1971*

	Cities held in 1971	Cities held in 1983	Cities lost	Cities won	Balance
PC	135	171	21	57	+ 36
PS	140	189	52	101	+ 49
Total cities held by the left	317	377	103	163	+ 60

* Based on 747 cities with more than 9,000 inhabitants since 1971.

In terms of mayoralities held (see Table 8 above) over the entire period, the record remains positive for the left. The PS's gains in mayors' seats held (+ 49) and the PC's (+ 36) are comparable, which somewhat blurs the image too hastily created that the big loser from the union of the left strategy was the PC. But these net gains result from different movements for the two partners. In relation to 1971, there were fewer losses (15 percent) for the PC than for the PS (37 percent), but also fewer victories (42 percent compared with 72 percent). The result is that in 1983 a majority of the socialist municipalities (53 percent) were cities held since 1971, while two-thirds of the mayors' offices in PC hands were already communist in 1971.

In like manner, the two partners withstood the erosion of the left between 1977 and 1983 quite differently (see Table 9). Overall, the decline was of the same magnitude. But the PS's losses were partly offset by some gains, while for the PC, this movement--with nothing but losses--indicates a phase of absolute regression.

Table 9: Record of cities held by the PC and the PS in 1983 in relation to 1977*

	Cities held in 1977	Cities held in 1983	Cities lost	Cities won	Balance
PC	213	174	40	1	- 39
PS	243	200	62	19	- 43
Total cities held by the left	489	392	121	24	- 97

* Based on 784 cities with more than 9,000 inhabitants since 1977.

This decline in votes cast and in mayors' offices held is linked to the length of time of the left's municipal tradition (see Table 10). The losses of mayors' seats were modest, though there were relatively severe losses of votes in cities with an old leftist tradition, whether socialist or communist. But in return, while losses in votes cast were limited in the cities carried in 1977, they were still sufficient to bring about the loss of a relatively larger proportion of mayoralties.

Table 10: Evolution of the left's votes between 1977 and 1983 and losses of mayors' seats in 1983 based on the length of time of the municipality's leftist tradition

Mayor's political affiliation			% of votes won by the left		Variation 1983-1977	% of cities won by the right in '83
1971	1977	N	1977	1983		
PC	PC	132	69	58	- 11	13
Center	PC	26	52	52	0	26
Majority	PC	27	50	48	- 2	33
PS	PS	104	68	54	- 14	18
Center	PS	54	51	51	0	23
Majority	PS	58	51	51	0	34

The presence or absence of incumbent mayors played a secondary role in this modulation of losses: losses were nearly twice as numerous when the incumbent mayor did not run again (see Table 11).

So two local factors did slow down losses of the leftist parties during this period of downturn: the length of time of the left's hold on the municipality and the advantage provided by an incumbent mayor.

Table 11: The role of the incumbent mayor's advantage in holding municipalities for the left in 1983

Percentage	Incumbent communist mayors		Incumbent socialist mayors		Incumbent MRG and miscellan. left mayors	
	absent	present	absent	present	absent	present
% of municipalities held	50	83	59	81	14	54
% of municipalities shifting to the right	38	15	34	19	57	31
Number of towns	8	216	22	222	7	35

The Union of the Right and the Establishment of the RPR-UDF Duopoly

Symmetrically, the union strategy took hold within the right starting in 1977, involving 74 percent of the cities in 1977, and 79 percent in 1983 (see Table 12)⁵.

Table 12: Strategic evolutions on the right and establishment of the RPR-UDF duopoly between 1977 and 1983

	1977	1983
% of union slates*	74	79
% of slates led by the RPR or UDF in all the union slates	55	71
RPR-led slates	29	42
UDF-led slates	26	29
	of 713 cities in which the right campaigned	of 863 cities in which the right campaigned

* In all municipalities in which the majority ran in 1977 and in which the opposition campaigned in 1983. We consider that a union existed between the parties forming the UDF in 1978 and the RPR when they were represented on the same slate. In division situations, at least two of these parties (RPR, RI [Independent Republicans], CDS [expansion unknown], Radical Party, and MDSF [expansion unknown] were represented on different slates.

The partisanization phenomenon had also begun by 1977: the RPR and UDF led more than half of the union slates in 1977, and nearly 3/4 in 1983. The

RPR, which led 42 percent of the union slates in 1983, derived more benefit from this movement than did the UDF (29 percent).

The formation of the RPR-UDF duopoly and the struggle for leadership on the right are both apparent in Table 13.

Table 13: Evolution of the candidacy system on the right between 1977 and 1983

	1983			
1977 %	RPR Union	UDF Union	DVD* Union	Division
RPR Union	63	11	7	18
UDF Union	15	54	9	22
DVD Union	28	17	34	21
Division	27	27	17	29
Right absent	40	15	34	12

* Miscellaneous right

Both on the right and on the left, the formation of union slates was accompanied by a quite noticeable cost in votes (see Table 14). Thus, in cities in which there was a union slate in 1983, working particularly to the advantage of one of the major rival formations, the growth of the right was much less than the average. But on the other hand, the right made strong advances in cities in which the union split apart in 1983.

Table 14: Percentage of votes for the right as a function of the evolution of the right's strategies between 1977 and 1983

Strategies in:		Percentage of votes cast rec'd by the right in:		Variation 1977-1983	Numbers
1977	1983	1977	1983		
1.	RPR Union RPR Union	45.6	50.1	+ 4.5	96
2.	RPR Union Division	47.9	58.1	+ 10.2	28
3.	UDF Union UDF Union	49.7	52.6	+ 2.9	69
4.	UDF Union Division	49.0	61.9	+ 12.9	28
5.	DVD Union DVD Union	46.9	51.3	+ 4.4	80
6.	DVD Union UDF Union	40.7	46.2	+ 5.5	40
7.	DVD Union RPR Union	49.8	52.1	+ 2.3	64
8.	DVD Union Division	44.3	56.0	+ 11.7	49
9.	Division Division	58.5	63.6	+ 5.1	53
10.	Division RPR Union	53.4	52.0	+ 1.4	50
11.	Division UDF Union	57.9	56.0	+ 1.9	50
12.	Division DVD Union	59.2	63.1	+ 3.9	31
	Urbanized France	45.4	52.8	+ 7.4	784

Between 1977 and 1983, the RPR and UDF both greatly increased their influence in terms of the leadership of municipalities (see Table 15). But the structure of their gains was quite different for the two partners:

- a. The RPR's gains consisted primarily of victories over the left (53 cities) and secondarily over other opposition groups (21 cities).
- b. The UDF's increase resulted first from taking control of cities already held by the right (49 cities), and only very secondarily from its victories over the left (27 cities).
- c. In 1983, the right's non-party mayors elected in 1977 were replaced in nearly 50 percent of the cases by members of the RPR or the UDF. In 1977, these mayors made up nearly half of the mayors on the right, but in 1983 they accounted for only slightly more than a quarter of them.

Table 15: Gains and losses of mayoralties on the right between 1977 and 1983*

	Cities held in 1977	1977-1983 Movements				Balance of gains and losses 1983-1977	Cities held in 1983
		Lost on right	Lost on left	Won on left	Won on right		
RPR	71	7	2	53	21	+ 65	136
UDF	92	18	3	27	49	+ 55	147
Miscel. right	133	61	7	29	15	- 24	109
Total	296		12	109		+ 97	392

* Cities for which data for both elections are available.

So we see that from 1971 to 1983, local political system gradually aligned themselves with the national political system: the bipolarization and partisanization of local elections transformed the type of candidates running. Did this result in an adjustment of election structures, both local and national? Do the ratios of electoral strength established during municipal elections now express the reality of the national ratio of political strength, or are they the result, at least in part, of characteristics specific to these elections?

Were the 1977 and 1983 Municipal Elections Intermediate Elections?

In an article written right after the 1983 municipal elections⁶, Jean-Luc Parodi applied to these elections an interpretation model based on the concept of "intermediate elections," whose principal features are the

following: local elections follow the national political logic for campaign issues and the organization of candidacies, but they depart from this logic because of their nature as an election "without obligation or sanction." Electoral behaviors are specific to these elections and follow the inherent logic of intermediate elections: stability of electoral nuclei, differential abstentionism, a shift of a portion of the majority electorate toward the opposition, and the possibly reversible nature of this shift during the following national elections. This model does not claim to be predictive for later national elections, and so does not tell us whether or not the variations found between intermediate elections and the preceding national elections ultimately express structural changes in electoral balances of strength.

According to J.-L. Parodi, the 1983 municipal elections, when compared with the 1981 national elections, strongly validate this intermediate elections model. But for the aspect we are now considering--the evolution of the ratio of electoral strength and not individual orientations--it is obviously not a question of discussing the operational nature of this model in all its aspects. It is possible, though, by putting the results of the municipal elections back into the sequence of results of national political elections, to analyze the differences observed between both of them and then to seek their own political logic. In our view, the "intermediate" character of the 1977 and 1983 municipal elections should be viewed relatively by taking the following three propositions into account:

1. The ratios of strength established in municipal and national elections become more similar when the types of municipal candidacies and issues become closer to national election candidacies and issues. The dual movement of bipolarization and partisanization established on a local level in 1977 must promote the homogenization of electoral behaviors in different types of elections.
2. The ratios of strength established in municipal elections are part of general trends, both national and regional, in electoral structures. This means that the evolutions which occur between national elections and municipal elections may be largely interpreted as general evolutions of electoral structures.
3. The evolutions of ratios of electoral strength which appear in municipal elections, both in terms of votes cast and in political changes in mayoralties, influence the results of later national and municipal political elections.

Let's observe the general trends in the left/right ratio during the 1971-1983 period (see Table 16). It appears to be in harmony with the intermediate elections model: in urbanized France, when the left was in the opposition on a national level, as it was during the municipal elections of 1977, its level was definitely higher than at the time of the preceding

general elections of 1973 and 1974. In the same way, after it had become the majority, during the municipal elections of 1983 the left was at a much lower level than in the legislative elections in 1981, and to a lesser extent, lower than in the 1981 presidential election. But these general movements are the result of different types of shifts. This becomes apparent when we consider the evolution and the state of the types of municipal candidacies.

Table 16: Evolution of left/right ratios of strength from 1971 to 1983 (percentages of votes cast for the left)*

Percentage ↓	M 1971	L 1973	P 1974	M 1977	L 1978	P 1981	L 1981	M 1983
Left	53.5	49.6	47.2	52.6	51.3	48.7	57.6	45.3
Center	16.7	13.7						
Right	29.2	36.7	51.1	43	45.1	46.9	40.5	52.7
Miscellaneous and environ- mentalists			1.7	3.9	3.6	4.4	1.9	2.0
Abstentions	33.2	20.7	19.4	27.6	18.8	20.4	32.3	28.3

* For municipal elections, the political composition of the slates was based on the partisan affiliation of votes in cities with under 30,000 inhabitants. M = municipal elections; L = legislative elections; P = presidential elections.

The Importance of the Types of Election Candidacies

Let's look first at the sequence of the elections from 1971 to 1978, during which the bulk of the left's strategic reorganization took place (see Table 17).

Table 17: Evolution of the left's level from 1971 to 1983, based on the principal orientations of the PS's candidacy strategies in municipal elections (percentage of votes cast).

Groupes (2)	(1) Stratégie du PS en:			3M	4L	M	L	5P	M	Nombre (6) de communes
	1971	1977	1983	1971	1973	1977	1978	1981	1983	
1.	UGPC	UGPC	UGPC	63	59	65	61	57	56	75
2.	UGPC	UGPS	UGPS	35	38	39	42	42	36	46
3.	UGPS	UGPS	UGPS	47	43	48	48	47	43	60
4.	PS	UGPS	UGPS	51	50	55	53	50	51	38
5.	TFPS	UGPC	UGPC	75	60	59	60	55	53	20
6.	TFPS	UGPS	UGPS	62	49	53	52	50	46	52
7.	TFPS	UGPS	PS	62	58	59	58	51	49	10
8.	TFPS	PS	UGPS	80	56	75	56	53	55	22
9.	TFPS	PS	PS	82	65	78	63	54	60	19
10.	TFC	UGPS	UGPS	25	42	45	46	45	43	30
France urbaine (7)				53	49	53	51	49	45	372

Key for Table 17 on preceding page:

1. PS strategy in:
2. Groups
3. Municipal elections
4. Legislative elections
5. Presidential elections
6. Number of towns
7. Urbanized France

For the first four groups, in which the socialists were not allied with the center in 1971, the 1977 elections marked an increase for the left in comparison with 1973: between 1 and 6 percent, depending on the group. In 1978 the legislative left everywhere reached a higher level than in the 1973 legislative elections, closer to the 1977 level. The 1977 municipal elections seemed to mark a step in a surge by the left which was not just a passing flare-up.

In groups 5 to 7, where the socialists in 1977 broke off their Third Force alliances in order to apply the union strategy, the left declined everywhere in 1977 in relation to 1971, but remained at their 1973 level. In 1978 the legislative left also reached the level of the municipal left in 1977. We can see no trace here of any notable intermediate elections effect in 1977.

But on the other hand, in groups 8 and 9 where the PS, while breaking with its centrist allies, in 1977 rejected an alliance with the PC, in 1977 the municipal left remained very close to its 1971 level, that is, much higher than the 1973 and 1978 legislative levels. Some might try to explain this municipal-legislative variation by the "intermediate" nature of the 1977 elections. But it seems to us that this variation was caused primarily by the fact that in 1977 the PS still kept the electorate it had attracted in 1971 around its Third Force alliances, because of its rejection of an alliance with the PC.

Then in the final group consisting of towns in which the socialists in 1971 participated in slates led by centrist candidates, the PS's strategic re-orientation enabled the municipal left to reach the 1971 legislative level, an adaptation confirmed in 1978.

Let's now look at the 1977-1983 sequence.

In groups 1 and 5, in which the PCF headed union slates in 1977 and 1983, the 1983 election only stabilized downward the left's level which had considerably worsened in 1981, or even in 1978.

In groups 2, 3, 4, 6, and 7, where the PS led union slates in 1977, the left's losses were often very high in comparison with 1977. But depending on the particular groups, these losses occurred either in the national elections

of 1978 or 1981, or at the time of the 1983 municipal election itself, and in these conditions it is not possible to measure what part of the left's decline was due to the intermediate nature of the 1983 local election. Only the 1986 legislative elections will tell whether the left's decline seen in 1983 does indeed constitute--as we think it does--a stage in the regular deterioration of the left's electoral level.

In groups 8 and 9, in 1983 we find an increase in the left's level in relation to 1981, which is a sort of anomaly in terms of national trends. And yet, despite this increase, the decline was quite steep in relation to the 1977 municipal elections. With bipolarization producing its effects, the level of the municipal left ended by adapting, though on a slightly higher level, to the national level.

Let's note also the very great stability in the left's level between 1977 and 1983 in towns where in 1971 the PS was allied with the center (group 10).

The correlation coefficients obtained when we compare the left's votes in 1977 and 1978 with those in 1981 and 1983 confirm the city-to-city matchup of the municipal electoral structure with the national electoral structure starting in 1977 (see graphs 1 and 2). Despite the significant differences in the left's levels from one city to another in the various elections, the left's correlation index for cities with more than 30,000 inhabitants was .75 in 1977-1978, and .81 in 1981-1983. For cities with fewer than 30,000 inhabitants, the index was .85 in 1977-1978, and .82 in 1981-1983.

Examination of Regional Data

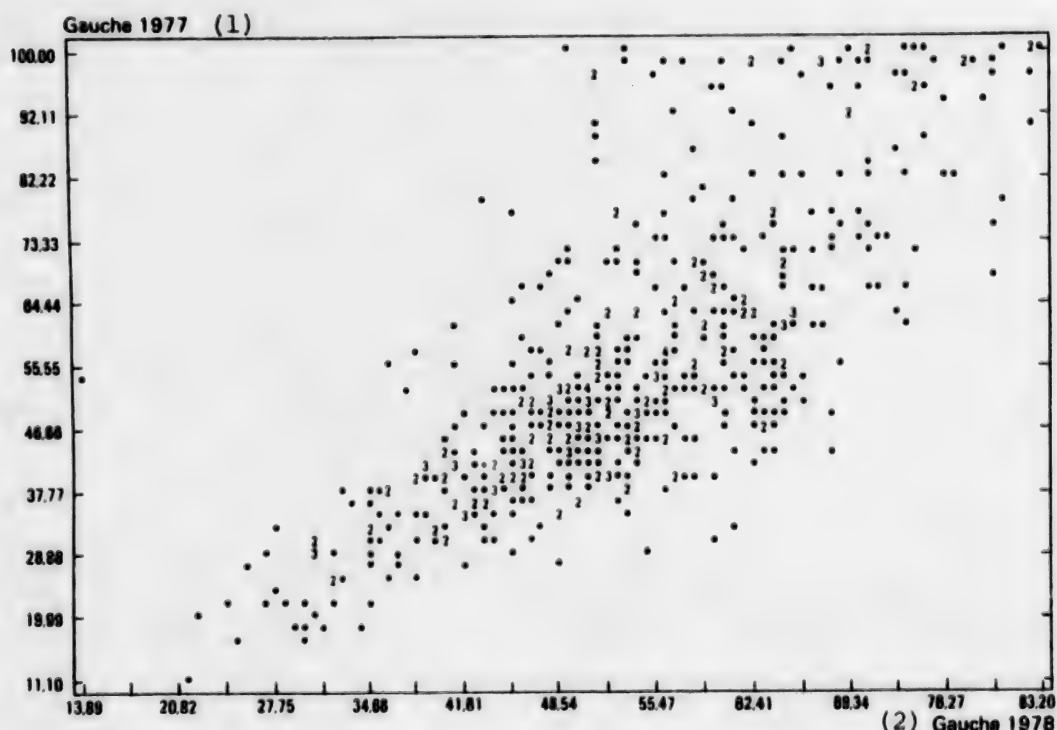
An examination of regional trends in the left's votes over the 1971-1983 period confirms even more clearly the thesis of an interaction of electoral structures rather than that of the specificity of intermediate elections (see Table 18).

Table 18: The left's level in municipal and national elections for the 1971-1983 period in seven major regions (percentage of votes cast)

Regions	M 1971	L 1973	M 1977	L 1978	P 1981	M 1983
North	62	54	60	58	53	54
West	45	47	51	51	49	50
Southwest	50	48	52	53	51	47
Southeast	53	50	55	51	49	44
Center	55	48	53	53	49	49
East	45	42	45	47	46	40
Ile de France	57	52	51	50	48	42
Urbanized France	53.5	49.6	52.6	51.3	48.7	45.3

Graph 1: Correlation between the left's level in the 1977 municipal elections and its legislative level in 1978 in urbanized towns in France (in percentage of votes cast)*

1 A: Towns with fewer than 30,000 inhabitants

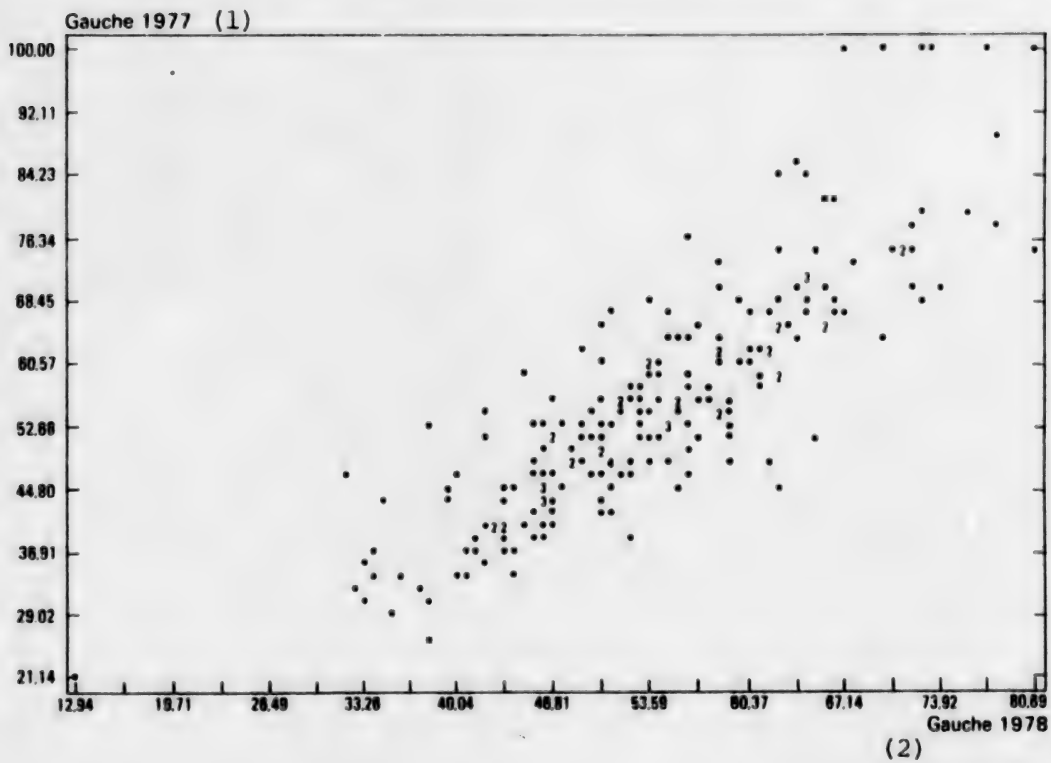


Key:

1. Left 1977
2. Left 1978

* Each point in the cluster represents one town. The figures shown in the cluster indicate that several towns have the same coordinates,

1 B: Towns with more than 30,000 inhabitants

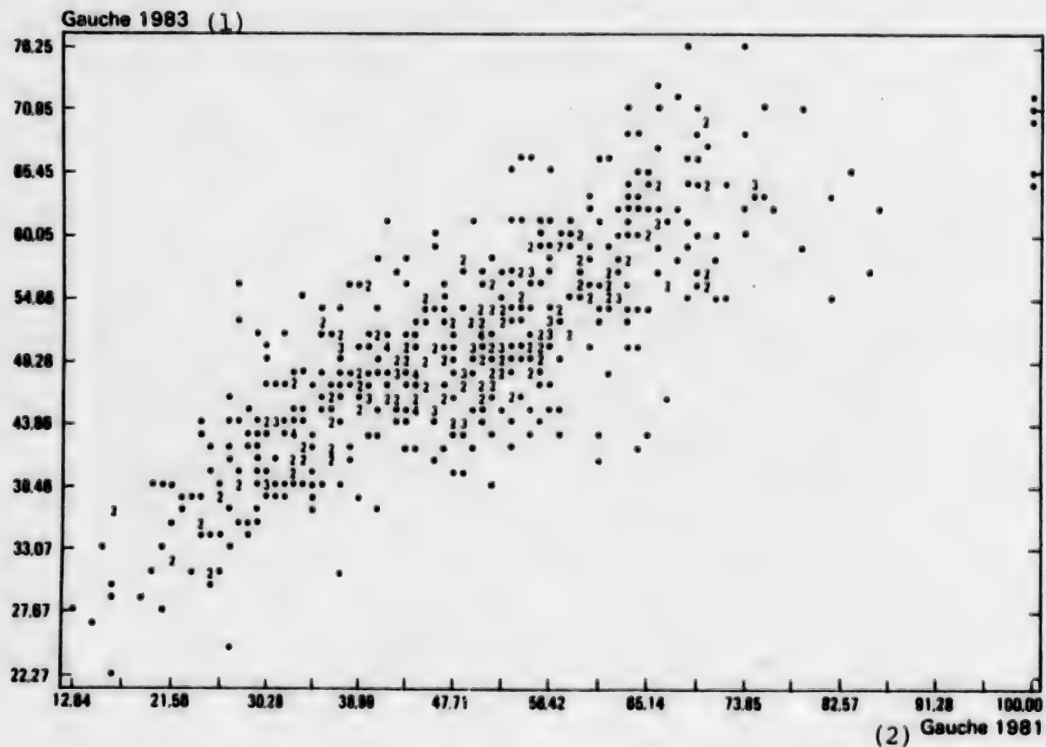


Key:

1. Left 1977
2. Left 1978

Graph 2: Correlation between the left's level in the 1983 municipal elections and its presidential level in 1981 in urbanized towns in France (in percentage of votes cast)*

2 A: Towns with fewer than 30,000 inhabitants

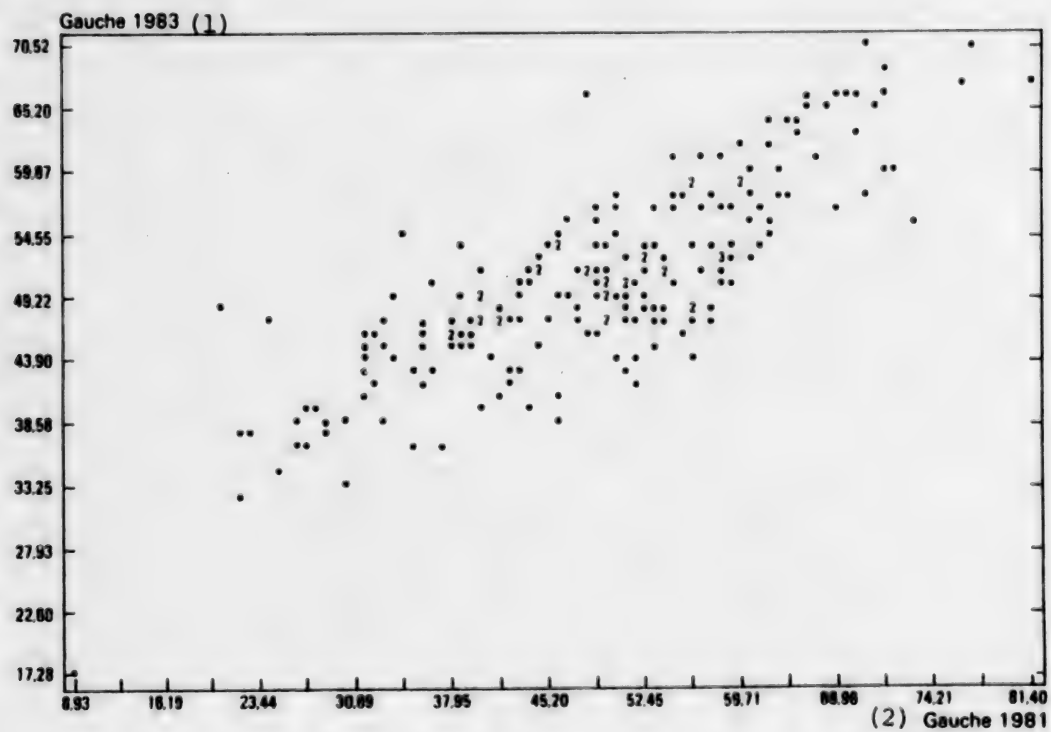


Key:

1. Left 1983
2. Left 1981

* Each point in the cluster represents one town. The figures shown in the cluster indicate that several towns have the same coordinates.

2 B: Towns with more than 30,000 inhabitants



Key:

1. Left 1983
2. Left 1981

Neither the 1977 nor the 1983 municipal elections seem to show any particular specificity. On the contrary, they fit into the series of national elections, and along with them, show the regional evolution underway. Thus, in Ile de France the left's decline covers the entire period, and is confirmed by all elections, both municipal and national. In the Southeast, after 1977 we find a regular deterioration in the left, accentuated by the 1983 election.

But in the West, the only region where the left showed a strong surge between 1971 and 1981, the left stabilized in 1983 in relation to the last presidential election. In two regions, the North and Center, the left's municipal and national structures matched almost perfectly in 1977 and 1978 on one hand, and again in 1981 and 1983 on the other. Finally, in the Southwest and the East, after an upward stabilization during the 1977-1981 period, the 1983 elections marked an abrupt break in this pattern, a break which may or may not be confirmed by the 1986 legislative elections.

The Incidence of Municipal Power

Local political systems do not just cause evolutions of the national political system to have an impact on the municipal level. Modifications occurring in the division of municipal power also have an impact on the evolution of ratios of strength, both municipal and national, and thus help to give a certain amount of coherence to all electoral movements (see Table 19).

Table 19: Political label of the mayor in 1971 and 1977 and evolution of the left's level between the legislative elections of 1973 and 1978, and between the municipal elections of 1977 and 1983 (variations in percentages of votes cast).

Partisan affiliation of mayors elected in:		Legislative variation	Municipal variation
1971	1977	1973-1978	1977-1983
PC	PC	+ 1	- 11
PS	PS	0	- 14
Center	Right	+ 1	- 9
Right	Right	+ 3	- 5
Center	PC	+ 4	0
Right	PC	+ 4	- 2
Center	PS	+ 6	0
Right	PS	+ 7	0
Urbanized France		+ 2	- 7

If we observe the evolutions in the left/right balance between the 1973 and 1978 legislative elections on one hand, and between the 1977 and 1983 municipal elections on the other, we find that these shifts are partly linked to the political affiliation of the mayor and his length of time in office. In towns in which the mayor was communist or socialist from 1971 to right before the 1983 elections, the left's surge between 1973 and 1978 was almost zero, and its decline between 1977 and 1983 was particularly severe. In towns where the mayor was in the center or on the right during this entire period, the left's surge between 1973 and 1978 was relatively slight and its decline between 1977 and 1983 was rather pronounced.

In towns won by the PC or the PS from the center or the right in 1977, the left's growth between 1973 and 1978 was significant, and much higher than its growth throughout all of urbanized France. Thus the left's gains of municipal power in 1977 played a major role in amplifying the left's surge in 1978 in relation to 1973, and in limiting its collapse in 1983.

Evolution of the PC/PS Ratio of Strength

A comparison of the left/right ratio in national elections and in municipal elections remains problematic despite the increasing similarity between local and national political systems. For in legislative elections and in the 1981 presidential election, the voter votes for one candidate. In municipal elections the voter votes for a slate, which is most often a coalition slate representing several political parties.

In such conditions, it becomes even more difficult to compare the evolution of ratios of strength inside the left in national elections and in municipal elections, as most often the voter can not choose between socialists and communists, and as the label at the head of the slate only partially accounts for the internal political makeup of the slate. Still, it is no less true that a comparison on a regional level of the evolution of the PC/PS-MRG variations in these two types of elections is informative (see Table 20). In 1977, when the PS took control of the vast majority of the union slates, we saw that party win the leadership within the left. Only Ile de France remained dominated by the PC on the left. The 1983 municipal elections generally only confirmed the 1977 situation. In the two regions with a strong communist tradition, the Southeast and Ile de France, both of which had resisted the upsurge by the PS in 1977, the PS did become the dominant party in 1983.

On a national level, where communists and socialists competed in the first round of the elections, the socialist domination was not yet clearly established in 1978. In the North, the Southeast, and Ile de France, the political balance remained either favorable to the PC or in equilibrium. It was the 1981 presidential election which saw a reversal of the ratio of strength on a national basis in favor of the PS. In Ile de France, this domination by the PS was even more marked than it was to be later during the 1983 municipal elections.

Table 20: Regional evolutions of the PC/PS-MRG variations
(percentage of votes cast) in municipal elections and
in national elections

Regions	Municipal Elections			Legislative Elections		Presidential Election-1981
	1971	1977	1983	1973	1978	
North	+ 4	+ 14	+ 13	- 2	0	+ 6
West	- 13	+ 19	+ 15	+ 1	+ 7	+ 18
Southwest	+ 15	+ 39	+ 38	+ 11	+ 13	+ 20
Southeast	- 7	+ 4	+ 18	- 5	- 2	+ 8
Center	+ 3	+ 21	+ 26	0	+ 4	+ 14
East	+ 3	+ 17	+ 21	+ 4	+ 7	+ 16
Ile de France	- 30	- 19	+ 2	- 18	- 5	+ 10
Urbanized France	- 9	+ 5	+ 16	- 4	+ 1	+ 12

So, despite the specificity of municipal elections in relation to national political elections, we can see a reversal in the ratio of strength between the two parties of the left, which was first established clearly on a municipal level in 1977 and was later confirmed on a national level in 1981. Here again, municipal elections clearly marked the fundamental stages in the general evolution of electoral structures.

During the 1971-1983 period, the major parties strongly helped to give a national significance to municipal elections. They did this by imposing the logic of bipolarization, by strengthening their influence on local political systems, and by making these local elections serve as tests of the legitimacy of established authority. Even in towns with fewer than 30,000 inhabitants, which can more readily escape from the grip of political machines and which until 1977 enjoyed a more flexible mode of voting, offering both the candidates and the voters some possibilities of resistance, the specificity of local elections was considerably diminished. The principal issues of municipal elections have progressively become national issues.

The pre-election polls of 1977 and, to an even greater extent, the pre-election polls of 1983 revealed that public opinion perceived and accepted this major transformation⁷.

The intermediate elections model proposes an interpretation of the consequences of this politicization on the determination of electoral behaviors. But it is a restrictive interpretation: the voter uses local elections, through abstention or a change in the orientation of his vote, to send a signal to serve as a warning for the people in office. But this signal is sent all the more readily when it entails no immediate sanction for those who are governing.

Without denying that part of the left's success in 1977 and part of the right's success in 1983 can be explained by this model, our study of the evolution of the relative strengths of the left and the right between 1977 and 1983 suggests a less restrictive interpretation of the effects of the politicization of local elections: we believe that 1977 marked the apogee of the electoral left. From that time forward there began a general downturn, temporarily masked during the 1981 legislative elections by the special nature of that election. Our observations enable us to say that, for the most part, local elections played the same role as national elections in the left's overall and regional evolutions during the period studied. They either announced evolutions later pursued on a national basis, or on other occasions they confirmed shifts in power which appeared previously during national elections.

FOOTNOTES

1. Parodi, J.-L. "Dans la logique des elections intermediaires" [In the Logic of Intermediate Elections]. REVUE POLITIQUE ET PARLEMENTAIRE, April 1983, pp 42-71.
2. This research was based on election results in cities with 9,000 or more inhabitants in the 1971, 1973, 1974, 1977, 1978, 1981 (presidential and legislative) elections. The data include 762 units for 1971, 806 for 1977, and 868 for 1983. These records were compiled by the CEVIPOF [National Political Science Foundation], SOFRES [French Opinion Polling Company], and BULL, and by the Grenoble socio-political data bank (GRECO 42). Here we wish to thank Jean Chiche for his indispensable assistance in compiling these data, and with its computer processing. For this research we used only the results of the first rounds of elections.
3. Dupoirier, Elisabeth, and Gerard Grunberg. "Qui gouverne la France urbaine?" [Who is Governing Urban France?]. REVUE FRANCAISE DE SCIENCE POLITIQUE, February 1978, pp 27-54.
4. The 1983 municipal elections have been analyzed in the following publications: Lancelot, A., "Vue sur la gauche a maree basse, les elections municipales de mars 1983" [View of the Left at Low Tide--the Municipal Elections of March 1983], PROJET, May 1983, pp 437-453; Jaffre, J., "Les elections municipales de 1983: les trois changements du paysage electoral" [The 1983 Municipal Elections: the Three Changes in the Electoral Landscape], POUVOIRS, no 27, 1983, pp 143-158; and Grunberg, G. and B. Roy., "Le choc des elections municipales francaises des 6 et 13 mars 1983" [The Shock of the French Municipal Elections of 6 and 13 March 1983], THE TOCQUEVILLE REVIEW, no 5 (1), summer 1983, pp 237-248.

5. Unfortunately, our data do not give us sufficiently precise information on the number of slates led by non-party candidates and those already led by partisan groups in 1971. For this reason, we have begun this study with 1977.
6. Parodi, J.-L. "Dans la logique des elections intermediaires," op.cit.
7. On this point, see Duhamel, O., and J.-L. Parodi, "Sondages et municipales" [Polls and Municipal Elections], POUVOIRS, no 24, 1982, pp 169-178; and "Les elections municipales de mars 1983" [The Municipal Elections of March 1983], SOFRES, OPINION PUBLIQUE 1984, Paris, Gallimard, 1984, pp 115-123.

7679

CSO: 3519/263

POLITICAL

GREECE

DISSATISFACTION, FERMENT REPORTED WITHIN PASOK

Athens I VRADYNI in Greek 12 Aug 85 p 7

/Excerpts/ The activities of a significant number of PASOK deputies and officials over the mass presentation of their problems and discontent has been of concern to PASOK's leadership which has already received a "message" to the effect that the latest political manipulations by the party's leader have created divisive tendencies in many of the party's cadres.

The deputies who are active are those primarily in the centrist wing of the party and also deputies of other tendencies who had never believed in PASOK but had found themselves in the party for personal ambitions are also ready to follow suit. According to reliable information, the cell of this movement is located in Crete where after the recent government reshuffle, many PASOK cadres, headed by Mr Manolis Karelis, mayor of Irakleion (it is not known if he personally is participating), had risen up against Kastri and the troika.

At any rate, a few PASOK deputies from Crete have held quite a few meetings in Athens, Irakleion and Khania and have examined, together with other dissatisfied associates from various regions and also with powerful local officials, the possibility of mobilizing and becoming active on a national level. There are today in Crete the following PASOK deputies, of whom only one, namely Mr Valyrakis, has become a deputy minister: Papadostefanakis, Aslanis, Papadonikolakis, Maria Kypriotaki, Darivianakis, Khatzinakis, Kondopodis, Perrakis, Valyrakis, Skoulakis and Mikhelogiannis. This has led the Cretans to believe that Kastri wants them only as voters and that it considers them incapable of participating actively in public affairs.

According to reports, also unhappy are the deputy friends of President of the Chamber of Deputies Ioan. Alevras. Both Kastri and the troika, once they failed in convincing Mr Alevras to go over to the vice presidency of the government, where he would have been an easy prey and in an eventual government reshuffle he would have gone the way of Messrs Arsenis and Lazaris, they eliminated as ministers or deputy ministers all those who were well-disposed to the president of the Chamber of Deputies.

Among the dissatisfied PASOK deputies are reportedly the following: G. Arsenis and Ap. Lazaris, Amalia Fleming, An. Peponis, St. Tzoumakas (alternate member of the executive office who did not get any government post), Sylva Akrita, Il. Katrivanos, G. Serpanos, G. Daskalakis (it had often been written that he was to become minister of labor), St. Giotas, Gr. Solomos, G. Katsimbardis, D. Sapoundzis (a deputy minister

for not even a year), M. Gikonoglou, Styl. Papathemelis, Io. Gegiannis (steward of the Chamber of Deputies), the three deputies of the Second Electoral District of Salonica, namely Amanatidis, St. Tsaparas and An. Karras, two deputies from Karditsa, namely Ser. Anastasakos and P. Katsaros, And. Tritsis, of course, Ath. Filippopoulos, Kiosklis (he wanted the Ministry of the Aegean), the Rhodes deputies, namely Kmiotakis and Zervos (the third on the list, Mr Sfyrios, became a minister), D. Papadimitriou, D. Vradelis, V. Intzes (for 4 years minister of northern Greece) and A. Varkaris of Khios.

Finally, on the list of those dissatisfied --who will now most probably run to "make declarations of loyalty"-- are those who failed to be elected deputy and were not "developed" anywhere. They are Messrs Khatzoplakis, Reppas, etc.

5671

CSO: 3521/332

POLITICAL

GREECE

PAPANDREOU SAID TO AIM AT LIMITING 'TROIKA' INFLUENCE

Athens AKROPOLIS in Greek 18 Aug 85 p 4

[Article by I. Evstathiou]

[Excerpts] Although the government is taking a breather, clearly because it knows an exceptionally difficult winter awaits it, its members, and also PASOK cadres, are not resting. This is because, beginning in September, important developments are expected in the governing party, but also probably in our political scene more generally.

At the moment, the "war of factions" is revealing itself within PASOK, specifically in the various offices and regional organizations.

As concerns the Executive Office [EG], aside from the estimations of various circles and publications by the entire press, the "sure" thing is that not even the prime minister, or only he, knows who will be "cut" and who will be proposed for the Central Committee--according to the "Movement's" fixed process--to elect as new members of the EG.

At any rate, according to the estimates of various factors close to PASOK, the celebrated "separation of government and party" was simply the excuse for reshuffling the Executive Office. In their opinion, with this action Papandreou is trying to restrict the effect and influence of the "troika" mainly.

These same factors are not in a position to know the prime minister's secret thoughts precisely. Nevertheless, referring to the present Executive Office members, they note:

1. Minister to the Prime Minister Akis Tsokhatzopoulos has in many ways strengthened his position in the government. Not only did he become a minister "first in line," he was also appointed to a ministry in which it is very difficult for the head minister to come into conflict with social agents. Therefore, the damage to him is significantly decreased. Up to now, Papandreou's preference for Tsokhatzopoulos has been ostentatious. But, at the same time, it is considered certain that Akis will obediently accept any decision whatsoever of his prime minister, even if it is at his expense. On the other hand, Tsokhatzopoulos has little influence at the Central Committee level and with mid-level cadres, although his main friends have been appointed to key positions in the PASOK party machinery. In addition, the minister to the prime minister is not considered particularly sympathetic to the "Movement's" base.

2. The government position of Deputy Press Minister K. Laliotis is probably questionable. He himself had recommended the essential separation of government and party, and had chosen to work in the "Movement," seeking to control it and thus become an omnipotent pole of power, able to undermine even Papandreou. So his "comrades" in the "troika" and, of course, the prime minister reacted to this ambition of his. Laliotis counterproposed participating in the government, by taking a position in a ministry, that of information, which he could establish. In the end, however, he became a government spokesman, a position which offers him regular exposure but also significant damage since he is obliged to cover the government's mistakes and weaknesses. At any rate, Laliotis' very significant influence within the party is noted; he has about 40 friends on the Central Committee, he controls the PASOK Youth, he has quite a bit of influence in trade-union and local organizations, and, in addition, he is a person with both organizational and "politicking" abilities and he controls the famous "Committees to Support Allaghi."

3. The position of Minister of Health, Welfare and Social Insurance G. Gennimatas is considered comparatively "marginal." Since the time he was "devoured" by the minister of interior because the prime minister feared an increase of his influence in PASOK local organizations, he has withdrawn as regards both the government and party. Moreover, he is trying to not get burdened with the government's policy and often differentiates himself with proposals and criticism, striving to appear in the future as an "alternative solution." Gennimatas has influence in the PASOK regional organization, in the PASOK Youth and in some branch organizations, while he has around 20 friends on the Central Committee. Notably, he is respected by social agents and political factors outside PASOK.

9247

CSO: 3521/330

POLITICAL

GREECE

POLITICAL PROBLEMS SEEN PREVENTING PROGRESS ON ECONOMY

Athens KYRIAKATI KI ELEVTHEROTYPIA in Greek 18 Aug 85 p 40

[Article by Panos Loukakos]

[Excerpts] Through the mouth of the Bank of Greece's governor, to whom PASOK systematically commits the role of the "bad" party, the ATA [Automatic Cost of Living Readjustment] must be changed so it will not feed inflation. Tax revenues must be increased; in other words, other taxes must be imposed. The prices of goods and services offered by public enterprises and organizations must be increased. And public expenditures must be cut.

The minister of national economy spoke in gentler tones, but with the same content, putting in his two-cents worth.

We are facing a flood of "anti-popular" measures, in the words we have used for a decade in these cases. Although we accept that no government has an instinctive inclination toward this kind of measures, we will have to consider that, really, the state of the economy is very displeasing, that we have nearly reached the eleventh hour.

Why and how? Because, for decades now, this country has followed an unruly pattern of development. Because, right after the fall of the dictatorship, the necessary structural changes were not made, changes which it would have been easier to make then and would not have allowed us to reach the present point. Because, in the last four years in which PASOK has wielded power, the economy has been used as an area for experimentation in which hundreds of novice magicians have been let loose, bearing the name "councilors," "special advisers," "collaborators," etc., and often having administrative qualifications inversely proportionate to the size of their long beards.

Everyone, according to his powers, has contributed to the situation reaching the present point: New Democracy, by handing over a bankrupt economy to PASOK, PASOK, by experimenting and refusing until now to assume the political cost of the measures needed to stabilize it. And now the hour of crisis has come.

The government, at a juncture in time difficult for it, is finally beginning to murmur that something is happening and difficult days are coming. New Democracy, which, to a great degree, is responsible for the present situation, is discovering excellent ground for cheap opposition--if not demagoguery--casting blame for the

crisis on the luxurious lifestyle of the prime minister and his ministers, and on the fact they are spending the summer at Elounda and the Astera in Vouliagmeni. The KKE is entering as head of the vindictive struggles "against local and foreign monopolies," many of which, for scarcity of business, have already left Greece.

It would probably be difficult for there to have been another development in a country where everything has the tendency to be politicized, from music with the so-called "progressive song," to athletics, with the progressive Olympic champions. It would be difficult in a country like Greece for government and opposition to discuss the economic problem, agree on its basic magnitudes and end up with an economic policy which would ensure a more general agreement and thus would have possibilities of leading to a more effective confrontation of the problem. Under the present conditions, this would probably be the only solution indicated. And this is the only thing no one is talking about.

PASOK, obsessed with its self-power, is not thinking, even at this hour, of making the necessary overtures to New Democracy and the KKE. New Democracy, under the net of its responsibilities, but also headed by Mitsotakis who is calculating something else, views the whole thing under a petty-partisan prism. And the KKE believes the time has come to recover the ground lost on 2 June.

Thus, while we are in August 1985, everyone's gaze is turned to October 1986, when the next municipal elections will occur. The government, forced to resort to the measures it has recourse to, is hesitating to call them by name and mention the whole truth. The KKE views the thing within a perspective of reckonings which will peak in the spring of 1986, so that in the fall, in the municipal elections, it will derive significant electoral benefits. And New Democracy is waiting for the economy to collapse so PASOK will eventually collapse with it. Here is the vicious circle which does not leave much room for optimism about getting out of the present crisis.

9247

CS0: 3521/330

POLITICAL

GREECE

PASOK'S DISARMAMENT VIEWS SAID ANTIETHICAL

Athens MESIMVRINI in Greek 17 Aug 85 p 7

[Article by G. Lampsas]

[Text] A political science professor at the Pandeios, Il. Katsoulis, made a very interesting classification of "pacifism" in modern Greece in his article in a morning newspaper. One of the many strange things--he says--in PASOK's foreign policy is the fact that, while it is undertaking laudable initiatives for disarmament on international levels (although with the one-sided perception that U.S. missiles threaten peace and Soviet missiles protect it), domestically it is following a policy which is shriekingly contrary to its international declarations and initiatives.

More specifically:

1. It is increasing defense expenditures to a level which is overwhelming for the Greek economy. The "deal of the century" will double (or even triple) our defense budget.
2. It is developing the war industry and is producing weapons systems which it exports to Third World countries, such as the "Artemis" electronic antiaircraft system.
3. It justifies developing the war industry with a policy of saving, but also attracting, capital and exchange.
4. It is including the Greek war industry in the broader plan of a policy for the country's autonomous development and it expects the war technology to have definite effects on the Greek economy's more general development.

Katsoulis notes at this point that well-known scientists disagree on the perception that investments in the war industry promote the production of technology or decrease the country's dependence on foreign industrial countries. But the issue does not stop there. Hidden behind the facade of the developing Greek industry are huge interests. In my book, "The Greek Nomenclature," I spoke at great length about the rivalries of the factions in PASOK for domination in this critical sector. Let us not forget that Mr. Arsenis' brother was, and still is, head of the Greek weapons industry. I wonder if the removal of the Greek economy's "czar" before completion of the "deal of the century" is related to these

rivalries? Perhaps it means the domination of the group of "Germans" (Tsokhatzopoulos, Simitis) in a long and very hard struggle?

The delay in the government reshuffling, and the lack of other reasons for Arsenis' removal, perhaps reinforce these suspicions. Regardless of the factions' battles, however, it is a fact that there is a shrieking contradiction between foreign and domestic policy in the sector of armaments and pacifism. The argument that Turkey threatens us is not enough to neutralize this contradiction because the great powers, who are arming themselves feverishly, propound the same justification--that is, that they are threatened by certain enemies. At least they have much greater resources than deeply indebted Greece....

9247

CSO: 3521/330

POLITICAL

GREECE

PASOK REPORTEDLY DISSATISFIED WITH SARTZETAKIS

Athens ENA in Greek 1 Aug 85 p 9

/Excerpt/ According to the prevailing view within PASOK, Mr Kh. Sartzetakis has begun to create problems for the government.

In this regard, it has been noted that right after the elections the second PASOK government is laying the greater part of its hopes for the success of its program on as broad a social consensus as possible. It constantly proclaims, regardless of how convincing it is, that the political atmosphere that characterized the pre-electoral period must give way to a conciliatory spirit that all Greeks must show.

It is evident that the government is greatly concerned over the fact that the arrogant and disputatious spirit that characterized the recent presidential announcement substantially weakens the convincingness of its proclamation. As both the government opposition press and also certain pro-government newspapers have noted, the only precedent to such a presidential announcement could be found in the /King/ Otto period of absolute monarchy.

The government --besides the presidential announcement that brought the issue to the surface-- has other reasons to be concerned over the overall behavior of the president of the republic. Specifically, according to well-informed sources, the government is troubled over the fact that even prior to the notorious announcement Kh. Sartzetakis and his entourage "are not listening to anyone" on small and secondary issues. The political inexperience of the new president --proclaimed by him personally in his acceptance statement last March-- is creating constant mental anguish for the government.

According to the same sources, the prime minister has decided to handle the issue of the political comments and behavior of the president of the republic with particular care but also with forbearance that is necessary because of the vast political cost that an open and straightforward crisis with the supreme leader, that the government itself had chosen, would have had.

This difficult task has been put mainly on the shoulders of Mr Koutsogiorgas who has the two following necessary requirements: he has the complete confidence of A. Papandreou and secondly he is the person who had suggested that Kh. Sartzetakis be a candidate for president of the republic.

5671

CSO: 3521/332

POLITICAL

GREECE

'NATIONAL PRIDE' NO OBSTACLE TO MEMBERSHIP IN UNITED EUROPE

Athens ELEVTHEROTYPIA in Greek 11 Aug 85 p 8

/Article by Giorgis Massavetas: "Will We Miss the Train of a United Europe?"/

/Text/ The purchase of the 80 aircraft was called "the purchase of the century." And no one, with the announcement of this decision, expected that "the purchase of the century" would have its complement so quickly. A commitment for purchases in the amount of another billion dollars at the very moment when our foreign exchange reserves have dropped to a borderline level and when the balance of payments has shown its most unfavorable development. The public foreign debt also is becoming all the more difficult to service.

Nevertheless, what will happen? Since the generals asked for them and because there are real needs and also because the army had been done an injustice as far as purchases are concerned, and since "critical circumstances" make them necessary for the defense of the country's independence, we will bear up with this purchase too.

If, however, the country's independence comes above all else --and properly so-- then the question is asked: how can this independence be assured with an economy that is continually and increasingly being overburdened? How can we withstand this arms marathon?

The PASOK government proclaims on every occasion that world peace cannot be based on the balance of terror, on arms competition. However, perhaps what holds true for the entire world does not hold true specifically for our region.

Here specifically, is this principle abrogated? Here specifically, will problems be solved only with overarming? Does the defense of our national independence depend on this path exclusively?

The question is altogether linked to that which seems to be developed as "a decisive Greek stance" vis-a-vis the prospect for the unification of Europe. In other words, the complete refusal to the proposal for the political union of states that compose it.

I put aside the fact that a government with socialist principles --that consequently believes in a future world without frontiers and in a fatherland of all peoples-- is pointedly foolish to refuse this union. A union not merely of governments and bureaucracies of Europe --as is the case today-- but of its peoples. With a

sovereign European parliament directly elected by these peoples. Let us now see this stance in conjunction with the issue of national independence and our territorial integrity.

- Today, Greece participates in the European Community. Turkey --the only threat to our country-- does not.

- A united Europe also means joint European defense, with joint defense expenditures, something that is natural to defend the frontiers of this Europe, frontiers that are not, of course, to be found in Belgium or Holland but in Greece.

- A united Europe with a strong parliament means --with only today's given facts-- a more progressive Europe. In fact, the strength of the parties of the Left and of the new movements --ecologist-- in the European parliament is greater than that of the Right and the extreme Right. Indeed, the gap grew in the 1984 elections in favor of the left wing. Without our taking into account the pressure from the entry of the Spanish and Portuguese Left in Strasbourg.

- A United Europe with Greece's participation means that Limnos is an inviolate European territory. It also means that Cyprus does not simply have the backing of Greece. It is not only our "brotherly people" but of all the peoples of Europe.

And yet we preclude all of these things. And we present this as being a leftist consequence. As, in 1962, the EDA /United Democratic Left/ of the time presented as a leftist consequence its polemics against the agreement for joining the Community, calling it "a lion's den." The only thing is that what Ilias Iliou had fought so passionately at the time, 20 years later he was forced to hail. Both he, the EDA as well as the KKE (Int.).

No one, however, made an in-depth and sincere self-criticism to admit that Greece's not joining the EEC immediately after its creation, as had been proposed, was a crime to the detriment of the nation. Not only to the detriment of its economic development but of its democratic life itself. At the time when the North realized its industrial "miracle" and the Italian south collected from robust funds, we remained outside.

We are in danger of having exactly the same thing happen to us politically-speaking. To refuse a prospect behind which we will start running some years hence. As happened to us in the Cyprus question where the display of verbal and theatrical outbidding and small partisan exploitation of the problem made us discard one plan after the other. And today we bemoan the fact that the Harting plan is not accepted or that the Acheson plan has been "withdrawn."

Somewhere along the line we are confusing "national pride" with agoraphobia on an international level. Somewhere along the line we are frightened over the plans of American imperialism and we refuse to give the opportunity to the peoples of Europe to make of this Europe an all-powerful confederation of peace.

For how long, however, will new generations of Greeks be lulled to sleep with the modern concept of "the stupid Europeans" that is expressed through the mentality that only in this corner of Europe does national pride blossom? While all the others --French, British, Germans, Italians, etc.-- are shameless as to the national sense of honor and love of fatherland in their blood?

Will we also miss this train, indeed....proudly?

POLITICAL

GREECE

PERCEIVED DEGRADATION OF INSTITUTIONS: RESPONSIBILITIES ASCRIBED

Athens I KATHIMERINI in Greek 17 Aug 85 p 8

[Article by Nikos Politis: "Waiting for the Drums"]

[Excerpts] I have the awful feeling that I am living in a country that is disintegrating. It is disintegrating morally, intellectually, economically, socially, qualitatively and politically. However, to be perfectly truthful, I must say that this is not a new feeling. And that I don't ascribe this phenomenon exclusively to the stance of a number of people from the last harvest or to the position of a given government. Not at all. I believe that it is the result of the collective set of our individual faults and our ethnic flaws. As a result, we must all bear our responsibilities and we all have the obligation to reach our own conclusions and to proceed to our own choices. All this, of course, with the precondition that we are still preserving even a minimal hope as to the possibilities for our survival.

The disintegration I mentioned earlier can be found daily on the pages of newspapers under the guise of "hot" and "spectacular" news. One should just have the time and the desire to read it. Fraud, blackmail, armed robberies, murders, terrorist acts, inflation, devaluation, expensive cost of living, illegal ventures, forest fires, illegal construction... As well as the disheartening news about the OTE [Greek Telecommunications Organization], the DEI [Public Power Corporation], the disintegration of Olympic Airlines, the huge public deficit, the astronomical losses of the "Problematic" [enterprises], the bankruptcy of various organizations... And also the continual protests about the impossibility to apply the law, to find a guilty party, to catch an arsonist, to discover a terrorist, to arrest an assassin...

And how about our personal experiences? Aren't they too numerous to count? Baseness in transactions, indifference in public services, meanness in transportation, churlishness in traffic, lack of politeness in behavior, vulgarity in relationships, incivility in crowds, rudeness in manners. The technician fools you, the businessman defrauds you, the employee parades his laziness, the storekeeper steals, the public servant is taking bribes, the politician is lying, the deputy is playing games... And all this is accompanied by a pathological lack of memory, a monstrous indifference, repulsive selfishness and, above all, a monumental disregard for whatever is related to one's fellow man, to social obligations and cultural needs.

One does not need special perceptiveness and wild imagination to feel that the sum total of all these catastrophes leads, finally and mathematically, to the destruction of democracy itself. However, the question is whether and to what an extent present-day Greeks possess even an elementary sense of democracy and sketchy political instinct, or even an embryonic social sensitivity. That is why I fear that the statements of the "government spokesman" rather contribute to the slipping of the republic's authority than to its consolidation. In my view, the protection of the institutions and the individuals does not depend on denials and refutations, but on the value of the institutions themselves and the qualities of the individuals themselves.

Unfortunately, the statements to date show a fully petty bourgeois ideology, a populist content, a bureaucratic narrowmindedness and a small-to-average range, no matter where they originate from. The defender of the republic's authority ought to pay attention to this, given the fact that, according to internationally accepted norms, the essence resides in what he says, in where he goes and in who pays his respects to its highest representative, rather than in what is being said and gossiped about. Let us not forget the numerous illustrious personalities who honored our republic from 1974 until yesterday, and let us remember the defamation it suffered during the shameful 7-year period, when each and every nostril with a ring and each and every ankle with a bracelet showed off their kaftans to us. And when the drums start beating in the mansion of the republic, nothing good is to be expected!

CSO: 3521/335

POLITICAL

ITALY

PCI'S ANGIUS WARNS PLENUM NOT TO ALLOW FACTIONS

PM141145 Milan L'UNITA in Italian 25 Jul 85 p 9

[Unattributed report on PCI Directorate member Gavino Angius 24 address to PCI Central Committee and Central Control Commission session in Rome]

[Text] I will deal with certain aspects of the party's life and its characteristics, Directorate member Gavino Angius said, and I agree with Comrade Natta's report on these issues too. We cannot fail to welcome the debate that began within the party immediately after the negative result of the 12 May elections and the referendum, but neither must we overlook the fact that the methods and forms of this debate have often proved not entirely democratic, because not all comrades have been put in a position to take part. In fact in some cases there has been a kind of delegitimization of the party organizations themselves, and the party as such has ceased to be the natural forum for the debate. When press organs other than ours are used to criticize party policy, deliberately refraining from saying what is said by the leadership, in my opinion that is not setting a very good example of democracy: It is simply enjoying and using a privilege, and one permitted to few. Over the years the party has increased the number of competent forums of debate and is experiencing a much broader democratic life than in the past and one much superior to that of any other party.

In my opinion, however, the problem is not simply formal but political. We must not ignore the fact that there are comrades who--rightly or wrongly--believe in an internal democracy based on factions (I am using this term in a broad sense): Let us therefore talk about this openly. According to those comrades, division is to be understood as an asset to the democratic method within the party. It is no longer the quest for unitary syntheses but a clear-cut choice between different predetermined options that is the most useful method for a clearer political decision-making process. We must be clear about this. In every democratic system the decision of the majority is in fact binding. In the hypothesis in question this is not so: It is division itself that is considered an asset (and that therefore endures and continues to assert itself even after the majority decision and vote).

Another argument put forward by these comrades is that factions are not only an instrument of the party's internal life but also the means (the most functional) whereby the party establishes a vigorous and diversified rapport with society. Divisions and factions originate on the basis of social

reference points and therefore sufficiently complete policies and formulations embodying a wealth of economic, social, and cultural substance. So factions are more functional with respect to not only a more vigorous internal dialectic and a more direct rapport with society but also the "genetic" alteration of the PCI, its identity and characteristics and the definition of the strategic and ideological parameters of its sphere of action. Last, according to these comrades the organizational structure as such becomes an obstacle to a more direct and continuous rapport with society and its transformations. Basically the PCI's structure is a hindrance to the PCI itself: Its rapport with society can be entrusted to other instruments, such as the mass media and the press.

So in fact the move toward factions is identified as the means for paving the way to the "genetic" transformation of the PCI, its identity, its social reference points, its representativity, and its function. There is no reason to be scandalized by these or other theories, but we must deal with the real issue directly, not surreptitiously. The problem is not what kind of party for what kind of policy (the democratic alternative platform, social and political alliances, socialist transformation) and therefore what kind of party.

We are witnessing profound economic, social, and cultural transformations and therefore the limitations of a party whose structure has remained static for too long are all the more evident. We must more rapidly unburden ourselves of elements of narrow-mindedness, splittism, and bureaucratism, but that is not enough: There is also the matter of which forces the party itself wants to represent. That is, the issue of the party's regeneration must be viewed in terms of the development, growth, and enlargement of the bloc of social forces to which it relates and which it wants to represent--and not in terms of replacing certain forces with others. But this implies making a closer inspection of the political nature of the transformation and change under way within society in order to translate them consistently into political initiative and struggle action. We must realize that the current technological transformation is not neutral because it creates per se an advancement of a certain section of society while also causing new class contradictions.

The danger is that of vacillating between an extremist outlook--politically and socially confined--of mere defense of our own political strength and identity and one of retreat to a policy of merely influencing the transformation and thus distorting the party's characteristics. In either case political and cultural hegemony would lie with others, not with the workers movement and its allies. We must fully take up the challenge. For us this implies aspiring to be a party that wants to administer the transformation, jointly with others. So platforms are important, but so are key ideas, the strength of the values on which policy is based, and the initiative and struggle of the party itself. But it is no painless process to assert particular values such as ours. There is equality, but on the other hand there is difference; there is peace, but there is also rearmament regarded as a factor of development and progress; there are shortcomings but there are also merits; there is the collective and there is the individual; there is solidarity but there is also competition; there is the employment issue, but unemployment is virtually regarded as a necessary "asset." In other words, a difficult contrast is

involved in successfully asserting within this society the values which our party embodies.

In fact a diversity of factions tends to make the party the instrument of the mediation of interests alone, not of change and transformation in society. Mediation between classes and groups would be the party's sole task and role. But those who want this are not only denying the very existence of a social and political conflict already visible within society and the institutions but also rejecting the party's value as a factor contributing to the advancement of society.

The very identity of a major party such as ours is not immutable. It is economic transformations, the changing composition of the classes, the conditions of the political struggle and the advance of new ideological and cultural stances that demand a development of our actual identity. Even in the context of such a profound regeneration of the party our principal diversity--or rather distinguishing characteristic--must lie in the fact that we communists will not cease to work and fight for a change in the leadership class, for a radical transformation of existing class relations. The other diversity lies in the fact that the PCI does not forgo the building of direct and autonomous mass relations with the workers and people in general and does not delegate to any kind of movement the representation of the needs and interests which it stands for. Let us therefore openly discuss these and other issues, in the awareness that nothing and nobody now prevents the expression of dissent--and obviously every one of us has a personal responsibility in this respect--or opposition to a particular political proposal or to our entire policy line, or the formation of different majorities. I would like both dissent from and consent to any political proposal to be regarded as frank and clear-cut. This, for the sake of our mutual respect.

CSO: 3528/105

POLITICAL

ITALY

BOFFA DEPLORES PCI 'HESITANCY' ON SECURITY POLICY

PM150920 Milan L'UNITA in Italian 25 Jul 85 p 9

[Unattributed report on speech by Giuseppe Boffa, director of PCI's Foreign Policy Studies Center, to PCI Central Committee and Central Control Commission session in Rome]

[Text] I approve of the convening of the congress and the procedure proposed by Natta in his extremely thorough report, Foreign Policy studies Center Director Giuseppe Boffa said. I will therefore deal with a single topic. With regard to the security issue some months ago a commission drew up a draft document that was submitted to the party directorate. Since then no more has been heard about it. Not even the commission itself has been informed of what has happened to the document. It seems to me that the progress of democracy within the party depends more on the correct solution of problems such as these than on discussions, however proper, on the lucidity of decisions or on the merits and shortcomings of democratic centralism.

Of course one could also argue that such a document is unnecessary. Nobody has ever said so, however. On the contrary, Comrade Natta has on several occasions called for a definition of our policy on security matters, as Berlinguer did in his last report on foreign policy. Furthermore, we are receiving similar solicitations from several sides, both in Italy and abroad, where the other left-wing forces question us on this point in all our contacts with them.

Our hesitancy on this issue in the long term lessens the impact of the options, however explicit, that we have taken with regard to Italy's international position and that Natta reasserted in his report with a lucidity and steadfastness that I greatly appreciated.

Of course it is legitimate to set other options against this one. This is what Comrade Castellina did. There are two conditions for this, however. The first--and the much invoked clarity of debate demands that this be stated explicitly--is that an alternative foreign policy line be proposed. The second is that one cannot support such a proposal with arguments entirely divorced from reality such as the argument that there is a growing tendency on our continent in favor of a nonaligned Europe.

There are reflections of our hesitancy within the peace movement too. Natta has urged us to analyze the reasons for the crisis which this movement is now experiencing. It seems to me that it is due not only to certain repetitive forms of action, as Natta himself said, but also to the fact that the movement's attention has been concentrated too exclusively on just a few topics, thus neglecting other issues of great concern to people with equally pacifist leanings. I believe that we too suffer occasionally from a still excessively narrow view of the peace movement, identified solely with some of its areas of action, however, respectable, while losing sight of so many other political and moral forces that are now pondering the problems of peace, gradual disarmament--first and foremost nuclear--European independence, detente, and so forth.

The definition of our security policy is a precise political initiative that must be taken immediately. So Natta is correct when he said that "our party must complete right away a research and a debate on this issue begun long ago." So now it is up to the party directorate to decide, following which this, like all its other decisions, will be assessed both by our own assembly and by the party congress.

CSO: 3528/105

POLITICAL

ITALY

PCI'S COSSUTTA ON 'TRANSCENDING' CAPITALISM

PM251649 Milan L'UNITA in Italian 21 Aug 85 pp 1, 16

[PCI Directorate member Armando Cossutta article: "Debate on PCI Policy: Party Cannot Make Decisions if It Does Not Know Where It Wants To Go"]

[Excerpts] The comrades at Piaggio [PCI section] did very well to raise with their customary frankness certain fundamental problems regarding the PCI's policy line and strategy in L'UNITA (7 August). In particular they reasserted what they consider to be the Communist Party's priority objective "to create the conditions for the country's transformation in a socialist direction." I share this stance of theirs and I agree that there should be the utmost clarity concerning this issue. I am well aware that several people within our party have spoken out and are speaking out to assert that a discussion of whether or not we should set ourselves the objective of the abandonment of the capitalist system is entirely inopportune. In fact I too believe that a dispute among communists should have been inconceivable, impossible in fact, on such an issue, which actually concerns the party's very *raison d'etre*. From this viewpoint, therefore, it is a futile dispute. But some comrades--including some of our most authoritative--have publicly and explicitly supported a relinquishment of the struggle for that objective. So a discussion of it is now inevitable and by no means misleading, as some say.

The issue has been raised and cannot be evaded when a controversy arises over such a significant topic one cannot pretend to have heard and read nothing about it. The issue must be dealt with openly. It will, of course, be dealt with in the debate for the congress that has now been called. But it is already on the agenda and is being talked about all the time in newspapers, magazines, books, and essays written by comrades, friends, and enemies. It must be discussed, in a clear-cut manner, avoiding lengthy circumlocutions and sham discussions.

Being as brief as possible and therefore simplifying somewhat, it seems to me that there are some comrades who believe that the objective of the abandonment of capitalism is unrealistic and that it is therefore futile to aim at it, because politics, it is said, is the art of the possible and that it is therefore futile for a political party to set itself objectives which, however desirable, are not feasible. Others argue, even more drastically, that in the final analysis the abandonment of the capitalism system for a socialist-type system is not even desirable. Both groups ultimately favor in their ideas and

options objectives and forms of struggle which can be defined--without wanting to impart any moral judgment to the term--as reformist, in the belief that it is both necessary and possible to work for a policy of economic, social, and cultural development, basically for a policy of progress and peace, within the context of the present system. Last, there are other comrades (the majority, I hope) who, while struggling hard and specifically to defend democracy and peace, to improve the workers' and the country's conditions, and to wrest new gains in all fields, one after another, do not abandon their demands for and pursuit of a transcending of capitalism and for a different, socialist-type society. In brief, strengthened by experience (both in Italy and in Europe) that, among other things, even the most substantial gains can be nullified if we fail to introduce fundamental transformations into the system.

We communists--all of us--are working to improve the situation. There can be no splits between us on this point. But a strategic choice is needed that will update our formulations over the past decade during which, under Comrade Berlinguer's leadership, the PCI has developed bold theories, all of which must be examined with the utmost objectivity in the light of the results achieved under the test of experience. The necessary strategic choice in fact concerns the topic under discussion: For what, in which direction, and for the sake of what kind of future are we struggling? Berlinguer was convinced that--within the gradualistic line characteristic of our history, from Togliatti on--"elements of socialism" should be introduced into our entire battle and strove to provide pointers and proposals and to act in this direction. Did he succeed? Have we succeeded? This remains to be verified. And within the context of this verification it is necessary to assess whether we have not succeeded in advancing further because those pointers were too advanced or, on the contrary, because they were insufficient, inadequate. It is already clear that the conflict between respect for compatibilities and the imperatives of change has exploded in a spectacular manner. A more precise strategic option must be made.

Transcending capitalism is an increasingly objective need. It is the most modern and relevant aim in order to resolve the problems of society's balanced development itself, which revolve around the long-standing and at the same time highly topical issue concerning private ownership and the concentration of private ownership of the principal means of production and chiefly characterizing in one way or the other the capitalist system and the socialist system. There is nothing more modern today than the search for paths toward a new society which will transcend capitalism and break away from the capitalist system. There is nothing more obsolete, on the other hand, than the claim to improve society by adjusting oneself to managing the capitalist rules of the game--deja vu and failed junk.

Hence the unrenounceable aim for the Communist Party remains that of the abandonment of capitalism; but if this should be the aim, then the debate should concern essentially the conditions, methods, pace, and substance of this and the consequent necessary social and political alliances. In fact it is a real aim, even if nobody can contemplate achieving it except through a process; an aim which should nevertheless constitute a point of orientation and reference for each of the political choices to be made. It will be increasingly difficult, and indeed impossible, for us to make choices, even the most specific--in the economy, in trade unions, in the institutions, and in every sphere--if we do not agree on where we wish to go.

POLITICAL

NETHERLANDS

SURVEY SAYS VAN AARDENNE SHOULD RESIGN

The Hague ANP NEWS BULLETIN in English 24 Jul 85 pp 3-4

[Text]

The Hague, July 23 - Some 57 per cent of Dutch voters believe Dutch Economic Affairs Minister Gijs van Aardenne should resign following allegations of secret agreements to site new nuclear plants in the southern Netherlands, an opinion poll showed today.

Van Aardenne survived labour party calls for his resignation earlier this year over his role in the collapse of the RSV ship-building concern.

The poll was conducted by the Interview research bureau and published in this week's issue of 'De Tijd' magazine. It follows renewed controversy around the minister earlier this month, after the publication of confidential information stolen from the Economics Ministry in June by anti-nuclear activists.

The confidential documents included letters from Van Aardenne to the governors of North Brabant and Limburg provinces, implying a definite decision had already been taken to site new nuclear plants in Moerdijk and Borssele.

Nuclear power has been the subject of wide controversy in the Netherlands, which so far has only two low-capacity nuclear plants in Borssele and Dodewaard.

Fearing growing industrial competition from neighbouring countries able to offer cheaper energy supplies, the Dutch government has agreed in principle to build two new nuclear power stations, despite majority public opposition.

The sites of the new plants, however, are still officially the subject of debate.

Van Aardenne has said the letters were merely 'unfortunately worded' and that no secret agreements exist. But Labour Party leader Joop den Uyl warned that if Van Aardenne had misled the second chamber of parliament 'public opinion will seal his fate'.

Disbelief

De Tijd said this week only 14 per cent of those polled believed the minister's denials, with 50 per cent disbelieving and the remainder reserving judgement.

Only some 31 per cent of voters felt Van Aardenne did not need to resign, Interview found. Over one third of voters from the minister's own Liberal Party felt that he should step down, De Tijd said.

But it added the majority of those polled felt such a resignation should not precipitate a cabinet crisis.

Some 58 per cent of the population opposed new nuclear plants, with 26 percent for, the poll revealed.

Avoidance

Brabant province Queen's Commissioner, former prime minister Dries van Agt said in a radio interview today that the Labour Party hoped the current coalition would reach a decision on the new plants before next year's elections so that it could avoid the issue.

In the interview Van Agt emphasised that plans had not been abandoned for two nuclear plants in Moerdijk and possibly one in Borssele.

CSO: 3600/27

POLITICAL

PORTUGAL

PCP'S DILEMMA: HOW TO AVOID ISOLATION

Lisbon EXPRESSO in Portuguese 24 Aug 85 p 3

[Article by Jose Antonio Saraiva: "Cunhal and the Lonesomess Complex"]

[Text] From 1976 to 1983, or, in other words, from the first to the second socialist government, Mario Soares significantly changed his attitude vis-a-vis the PCP. During his first government, Soares made the communists one of his preferred targets: however, during his second term, he acted as if the PCP did not even exist. It must be acknowledged that, from the point of view of his own interest, this second attitude benefited Mario Soares, and exasperated the Portuguese communists. The worse way to behave toward an enemy is to ignore him, and Soares purely and simply ignored the communists.

This is one of the reasons the Communist Party's militants feel a considerable aversion toward the PS' secretary general, to the extent that they prefer any other presidential candidate's victory to his, even if this means that a candidate of the right would be elected.

However, Soares' silence in relation to the communists contributed to awakening in them a different feeling: a complex of lonesomeness. After many years of being on the fringes, the PCP feels alone. And it fears that lonesomeness and the long absence from the area of power may begin to produce a feeling of fatigue among its militants.

That is why the PCP greeted effusively the appearance of the Eanist party, which can open the door of a dialogue for it, a dialogue that has become impossible with the other parties.

That is also why the PCP has yet to support Maria de Lourdes Pintasilgo, even though she happens to be a candidate who would be of obvious interest to the communists. Actually, were Cunhal to declare at this time his support for Lourdes Pintasilgo, it would negatively affect the eventual support of this candidate by other political forces, notably the PRD; and if this were the case, the Communist Party would remain, once again, without company.

In other words: the party would have a candidate who would go beyond the frontiers of its electorate, but would be alone in the support of this candidate. The PCP thus prefers to let the situation settle and become clearer. It is

waiting for all the candidates to emerge. And above all, it is waiting for the other parties to define their strategy and their choices, so that it would not become isolated in the presidential issue. Of course, everything would be much easier for the communists if a moderate military would enter the presidential fray, and would receive the support of the renovators, from General Eanes to the PSD itself.

The PCP would, in this case, resolve once and for all its presidential problem and its desire to see the PS leader trounced. Indeed, a "large coalition" against Soares would solve all the problems preoccupying the PCP.

However, this will not happen very easily. And it is very possible that the PSD will field its own candidate, that General Eanes will support no one and that the PRD will grant its militants the freedom to vote for the candidate of their choice.

In this case, what will the party do so as not to remain alone?

CSO: 3542/249

POLITICAL

SWEDEN

FOREIGN MINISTER CENSURES AMBASSADOR'S COMMENTS ON USSR

Stockholm DAGENS NYHETER in Swedish 28 Jul 85 p 9

[Article by Robert Braunerhielm]

[Text] Now Minister of Foreign Affairs Lennart Bodstrom is getting involved in the controversy between Ambassador Curt Lidgard and the Soviet news agency TASS.

"It is quite obvious that Lidgard was not speaking on the government's behalf. A Swedish government spokesman would not have used Lidgard's words."

Bodstrom made his statement in the newspaper SYDSVENSKA DAGBLADET, which is where the fuss over what was actually said at a Rotary Club luncheon in Malmo began.

Yesterday the newspaper printed a transcript from the tape of Ambassador Curt Lidgard's speech at the luncheon.

Transcript Correct

The transcript does correspond to the quotations from Lidgard's speech that the newspaper had printed earlier. At one point, Curt Lidgard had referred to a TV program on the Warsaw Pact:

"We are worried about the ideological expansionism that still appears to characterize the Soviet Union's conduct. We--and we were reminded of this by yesterday's program--are living under the threat of a sudden Soviet attack: a lightning attack on West Europe that may reduce our continent to subjection in just a few days."

At another point in his speech, Curt Lidgard commented on the Soviet Union's behavior in the negotiations at the Stockholm Security Conference:

"The Soviet Union makes sweeping proposals and statements, the intention being to thus make a big political impact in the West without having to change a single comma in its own defense plans."

"Trying To Explain"

Curt Lidgard is now refusing to comment on the transcript of his speech. He will neither deny nor confirm that it is correct. He told DAGENS NYHETER that he was trying to explain the threat scenarios that are often painted in the East and the West--scenarios that he does not agree with.

Curt Lidgard says it is wrong to quote only certain portions of his speech without providing a full report.

We pointed out: "But now Lennart Bodstrom has said that a government spokesman should not express himself in that way."

"Yes, but I was not speaking as a government spokesman. I was speaking before a private group."

Mediator's Role

Curt Lidgard heads Sweden's delegation to the Stockholm Security Conference. The delegation has tried to mediate between East and West in the talks on confidence-building measures. Lennart Bodstrom feels it is wrong to speculate as to whether its role as a mediator has been harmed. He points out that the criticism of Lidgard's speech is coming from the press agency TASS, not from official Soviet quarters.

A spokesman at Sweden's Ministry of Foreign Affairs says that the matter is being viewed as a controversy between Lidgard and SYDSVENSKA DAGBLADET as to what he really said.

TASS toned down its criticism of Lidgard yesterday by quoting his own denials.

11798

CSO: 3650/300

MILITARY

EUROPEAN AFFAIRS

MITTERRAND 'TAKES NOTE' OF FRG PROPOSAL TO RENEW EFA TALKS

Frankfurt/Main FRANKFURTHER ALLGEMEINE in German 29 Jul 85 p 2

/Article by ban.: "Mitterrand 'Took Note'"/

/Text/ Bonn, 25 July--A new meeting of the defense ministers of the FRG, France, Great Britain, Spain and Italy on the joint jet fighter (Jaeger 90) project is still not in view. Bonn wants to first wait for the French answer to Defense Minister Woerner's compromise proposals, which he presented to State President Mitterrand and Defense Minister Hernu Wednesday evening in Paris. Mitterrand "took note" of the suggestions, it is said in Bonn, without giving an assessment of them.

In the Defense Ministry, one runs across the impression that the European project has foundered, because Paris has yet to give any sign that it will yield. There is task of "considerable differences in interests" between Paris, on the one hand, and the four other countries, on the other. But still, it was not expected that Mitterrand would accept Woerner's proposals immediately after the presentation. People in Bonn say that a decision has not yet been reached in Paris not yet even been taken under consideration. Now, one will just have to wait and see what the French government has to say and then it can be decided whether another meeting of the ministers would serve any purpose.

On Thursday morning, Woerner informed Federal Chancellor Kohl about his talk in Paris, as the chancellor had requested of the minister. The top levels of the Defense Ministry denied the suspicion that people were leading towards unilateral concessions which would go beyond the framework of the agreement between the five countries. There will only be a joint airplane, it is said, that meets the tactical requirements of the air force and, at the same time, corresponds to the interests of German industry.

Also denied--and, to some extent, characterized as reports planted by interested parties--were rumors that Bonn was considering a German-French solo effort. Such a thing is said to be "inconceivable" and Woerner's visit to Paris was to promote the five-way solution. "Absolutely to be excluded" is the thought that Bonn is under pressure from the French, and so might lean towards inappropriate compromises, because of the French attitude towards SDI and because of the plan that is under consideration to extend the French nuclear shield over the territory of the Federal Republic as well.

12507

CSO: 3620/446

MILITARY

AUSTRIA

SPOE'S WILLE CALLS FOR DEBATE ON MISSILES FOR ARMY

Vienna PROFIL in German 29 Jul 85 pp 9-10

[Article by Hubertus Czernin: "Missile Dance--With the request to the National Defense Council by SPOe caucus chief Wille to deal with the demand for missiles by the military, the guided missile debate is heating up"]

[Text] On the occasion of a combat exercise at the Allentsteig maneuver areas, which celebrated the tenth anniversary of the armored infantry division, Sepp Wille experienced a sudden flash insight: "When you take a look at how the Federal Army has to struggle to defend itself and what an armored unit would be faced with in a real crisis situation, you might well be inclined to state that we must not renounce further technical progress."

This careful statement by the socialist caucus chairman foreshadows the next explosive national defense debate, only a few weeks after the discussion about the interceptor aircraft procurement had been politically settled with great effort.

This time around the subject is not the special flying garbage from Sweden, but hot military goods: missiles. And this is happening in the 30th year after the signing of the State treaty, according to whose Article 13 the alpine republic had agreed to neither own, nor manufacture, nor test "any kind of self-propelled or guided missiles," nor "guns with a range of more than 30 km." Socialist Party caucus chief Wille's marching orders go like this: "It would be the height of irresponsibility if the National Defense Council should fail to discuss seriously a question which appears to be of such great importance to the armed forces."

In contrast to past decades, when Austrian politicians regularly got the cold shoulder treatment in the Kremlin during such solitary forays as that of then-Foreign Minister Rudolf Kirchschlaeger in 1971 and later that of former Chancellor Bruno Kreisky, this time the prospects for the pro-missile lobby appear favorable.

The governmental minority, from whose ranks comes the minister of defense, incorporated its request for guided missile ordnance in its Salzburg Program of last June. In early summer the opposition People's Party placed missiles at the head of its program demands for national defense matters. Even

socialist defense spokesman Alois Roppert no longer wants to turn a deaf ear to the military's desires: "There is no way in which we can circumvent a discussion about defensive guided missiles." Says Roppert: "they would significantly increase the protection of our own soldiers."

But it took Wille's request "to give a decent hearing to this subject in the National Defense Council" to bring the debate out of the purely military corner. Exults Norbert Gugenbauer, the Liberal Party's chairman of the parliamentary defense committee: "For the first time a heavy-weight politician has come out in favor of this subject. This brings it up to a higher level, at least in the Socialist Party."

But the path toward equipping armored and air force defense units with defensive guided missiles will be a difficult one. First of all there is not yet a "national consensus," as Gugenbauer puts it, i.e., a joint campaign by the three parliamentary fractions. Secondly, there is a lack of required funds out of the budget, since according to defense ministry calculations the minimum procurement would cost about 3 billion Schillings. Thirdly, and most importantly: permission by the signatory powers. Says Wille: "We must proceed one step at a time."

First, says the caucus chairman, we need internal clarification of whether guided missiles are "absolutely essential" for Austria's defensive capability. In other words: "Is there a danger that we drive up with the M 60 and the Kuerassier [tank] and that 20 later all the tanks have disappeared?"

It was certainly no coincidence that a few days ago a 50-page brochure was published, entitled "The Arms Limitations of the Austrian State Treaty from the Juridical, Political and Military Viewpoints." Its author is 37-year old Heinz Vetschera, member of the Institute for Basic Strategic Research of the National Defense Academy. The publisher is the Liberal Party-leaning Institute for Basic Political Research. Its manager is Erich Reiter, Defense Minister Friedhelm Frischenschlager's office manager.

Vetschera's final conclusion: it is a historic misconception that the State Treaty prohibits deployment of defensive guided missiles with a range of less than 30 km.

If a missile prohibition of this type were in effect, then Italy, Hungary, Romania and Bulgaria, who have had guided missiles for several years, would also be in violation of post-World-War II peace treaties without objection by the Allies. These countries too were denied permission, with words identical to those in the State Treaty, to own, manufacture or test "any self-propelled or guided missiles or apparatus connected with their discharge."

Vetschera continues by saying that if in fact a hard and fast missile prohibition were in effect for the republic, then Austria had already violated it several times with the knowledge of the signatory powers: in 1959 a complete missile launcher battalion had been purchased from the CSSR. In 1960, says Vetschera, Austria "openly" experimented with the Swiss antitank guided MOSKITO missile. In 1965, for a military parade on Vienna's

Ringstrasse, Swiss multiple rocket launchers were mounted on the chassis of the Saurer infantry tank. And finally, the Saab 105 0e fighter bomber is armed with unguided air-to-ground missiles.

Says Vetschera: "In all these cases we must assume that the weapon systems concerned were considered by the signatory states of the Austrian State Treaty as being clearly compatible with Austrian obligations, since they did not protest any treaty violations. Such a protest would have been required so as not to forfeit by default the right to take action against any additional treaty violations in the future."

As to the objection that the USSR in particular would object to a guided missile arming of the Federal armed forces, he says: "The absence of protests in the above-cited cases permits the conclusion that Soviet objections were directed exclusively against the Austrian desire for an amendment or new interpretation of the State Treaty text, rather than against the procurement of guided missiles within the permissible parameters of 'projectiles' of short range for purposes of self-defense."

But it won't be quite as easy as all that. Just a few weeks ago, the Soviet IZVESTIYA informed Austria's would-be missile deployers that the State Treaty was not subject to change.

9273

CSO: 3620/479

MILITARY

BELGIUM

PROBLEMS WITH ASSIMILATION OF NEW ARMY EQUIPMENT

Brussels LA LIBRE BELGIQUE in French 22 Jul 85 p 3

[Article by Roger Rosart]

[Text] On 21 July, on the sidewalk of the Place des Palais in Brussels, the Belgian Army conceivably put on a proud face. Indeed, let there be no mistake; the infantry battalions constitute the framework of the army in the field. But they will be hit hard in the coming months--to the point where one is entitled to wonder whether they will not lose, for 3 or 4 years, their operational capabilities. Our entire battle corps, positioned in Germany and Belgium, would obviously bear the consequences if an international crisis were to occur.

In the next few months our eight infantry battalions will be nearly entirely re-equipped in weaponry and transportation. A single of its platoons will have available the firepower of a battalion in 1940 and undoubtedly of a brigade in 1914. Theoretically, one can naturally only applaud such modernization. But how, while getting used to the FNC 5.56-millimeter rifle, to the 5.56 "Minimini" (which will replace the 7.62-millimeter FAL and FALO rifles), will the Army be able to master quickly all the secrets of the AIFV [Armored Infantry Fighting Vehicle] replacing the AMX-13? The AIFV is equipped with a 25-millimeter cannon with electronically guided targeting whose projectiles can be fired in bursts of 10 rounds each piercing 25-centimeter thick armor including that of the Soviet BMP troop carriers.

Our infantry should not only be familiar with and be able to master the use of the AIFV and its ordinance. It must also be able to adjust its tactics to this new materiel. This is not an easy task.

In May 1985, at the time of the display of the Infantry School at Arlon, Colonel Babette stressed that henceforth the infantry would be able to fight not only after the men had "dismounted" (that is, after they got off the AMX 13 troop carrier) but also while they were being transported. Hence, he added, an evolution or rather a "revolution" for the infantry which must acquire the technical and tactical mastery of the new equipment while retaining the "spirit, physical training, and characteristics of the attack infantryman."

But is there a clear enough conception of what the future infantry battalion will be like? Strictly in terms of weaponry, what will there be? The rifle and the 5.6-millimeter Minimini, the 7.62-millimeter MAG machine gun, the 9-millimeter GP [guided projectile], the 50 (12.7-millimeter) machine gun, the 25-millimeter AIFV cannon, the 35-millimeter cannon of the Scimitar vehicle, the 76-millimeter cannon of the Scorpion (reconnaissance platoons), and finally, since [Minister of National Defense] Alfred Vreven mandates it on the infantry, twelve 90-millimeter JPK antitank guns, while we put aside the Milan and Law antitank missiles, mortars, grenades, etc.

The minister was dreaming of savings with the dissolution of the four antitank battalions (the 2d Light Infantry; the 8th, 9th, and 13th Combat Infantry) of which, as we announced it in April, the Milan antitank missile company will be assigned directly to the brigade in Marche, Bourg-Leopold, Soest, and Siegen). But as we have also anticipated, Minister Vreven, to accommodate the six JPK antitank guns in the Infantry battalions (beginning in mid-1986), will have to create there a support company incorporating this antitank platoon, a reconnaissance platoon, and a 4.2-inch mortar platoon. It is hard to see, then, where the savings may be found.

It is claimed that the personnel can learn to master the equipment. But in the infantry battalion everything will happen simultaneously and the platoon leader will find himself with five AIFVs worth electronically controlled 25-millimeter cannons and with one or two Milan missiles not to mention the other weapons (for example, the Minimini). Yet, what is an infantry platoon leader supposed to do? A reserve second lieutenant cadet doing his military service joins his unit after a 5-month training period, including 6 weeks of individual instruction.

No one in charge of basic military training in Belgium would be given after such a short training period technical (not to mention tactical) responsibility for such costly materiel. That is why the infantry and consequently the battle corps will be hamstrung for long months on end. Obviously, it is always possible to ask the Russians to be on their good behavior!

As we have already announced, among the other reorganizations approved by the minister is the replacement of the 2d Reconnaissance Battalion by a new armored battalion equipped with Leopard I tanks held in reserve today. The Swingfire missiles of the 2d Reconnaissance Battalion will be assigned to the 1st and 4th Reconnaissance Battalions or to the Cavalry Reconnaissance units.

With the arrival of the 155-millimeter cannons, the number of artillery battalions will be reorganized from three batteries of six ordnance pieces each to two batteries of eight ordnance pieces each. The savings in personnel will make it possible to beef up the crews of the ground-to-air Hawk Helip missiles and of the double-barreled, 35-millimeter Gepard antiaircraft guns. Finally, the 2d and 80th Artillery Battalions will be repatriated to Belgium as will the drone (remotely piloted reconnaissance aircraft) platoon. Logistical units will be consolidated and the 1st Transportation Company will be transferred to Ypres. The band of the I Army Corps will also be stationed in Belgium.

Of the 95 million Belgian francs' savings that Minister Vreven plans to achieve some will be real--essentially, the housing allowance and the bonus payable in German marks--but especially when it comes to the savings to be realized by the dissolution of the four antitank battalions, their reality is still to be demonstrated.

2662

CSO: 3619/93

MILITARY

DENMARK

LOCATIONS, PLANS OF WARTIME COMMAND CENTERS REVEALED

Copenhagen INFORMATION in Danish 20-21 Jul 85 p 8

[Article by Tune Nyborg and Kim Hundevadt: "Peace Movement Reason for Silence about War Plans"]

[Text] The fear of peace camps, demonstrations and torn-down fences is an important reason behind the secretiveness surrounding the Danish war preparedness. But many officials are irritated by the gag.

A few hundred meters west of highway 10 near Rold forest and a little south of the town of Oplev lies a fenced-in area about the size of a city lot at the edge of the forest behind a newer, yellow brick house.

A little bit of asphalted road disappears under the rusted sheep fence and ends before a 2-meter high green door leading into a hill. There is no sign saying "No Entrance" or "Military Area."

The moss-covered concrete wall, the peeling paint and the rusted fence rather give the impression that the place is deserted.

It isn't. For behind the door in the hill near Oplev is hidden REGAN VEST-- one of the two bunkers that is to house the government and the central administration in case of war.

A similar complex lies a couple of kilometers west of the Helsingor freeway close to the north Zealand coast in the forest by Hellebaek.

Both of the government bunkers have three floors, each of which is just about 900 square meters. Here 200 top officials and a good 100 technicians, guards and other service personnel will help the government guide the country safely through the Armageddon of the coming war.

Included on the three floors and toilets, a canteen and an infirmary manned by doctors from the nearby hospitals. In addition, there are a number of six-man offices and sleeping quarters to be used by three ministers or officials in shifts. This is to save space since work will go on 24 hours a day anyway.

Not the Little Mermaid

It has been officially admitted since 1980 that there are two such bunkers. But their locations are still absolutely secret. Nonetheless, by putting together information from publicly available sources, it has been possible to establish that they are indeed in Hellebaek and Oplev.

This is just one example of how planning within civil defense is surrounded by a veil of secrets out of concern for the enemy in the Warsaw pact and not least for the local peace movement.

"We don't want the kind of camps we see in England. This kind of complex should not be the object of Sunday outings by Danish families. After all, it isn't the Little Mermaid," says head clerk Carsten Fausboll of the Civil Defense Administration.

He is seconded by his colleague Borge Irgens-Moller, who is responsible for the secret bunkers' upkeep and functioning.

"As It is now, the mentality of the peace movement could cause us a great deal of trouble if there were too much publicity about the complexes. It would entail a greater need for surveillance, repairs of the fence and the like. This is one of the reasons why there is not more publicity about the complexes," he says.

At the same time there are many officials who are critical of the scale of the secretiveness.

"I feel that it is one of our greatest tasks to reduce the mystery about civil preparedness. Nor can we get the counties and the general population to make an active contribution if we keep everything under our hats," says Carsten Fausboll.

Cold Feet

All the ministries and departments we have talked with want to keep a certain amount of information behind locked doors. For the most part, this is done out of concern for national security.

"It would be ridiculous for any chess player to reveal his counter-moves," as a functionary in the Interior Ministry puts it.

But there is also a good deal of tradition behind this lack of openness. When work on civil preparedness began in the middle of the 1950's, all plans were kept in the dark. The public had to be satisfied with the little information that could be deduced from the legislation concerning civil preparedness adopted in the fall of 1959.

Since then, the prevailing winds have become calmer. Today one can get quite detailed information from the Civil Defense Administration about the lay-out of the bunkers, for example. But a stop is being put to this growing openness due to the most active part of the peace movement.

"We certainly have gotten cold feet," as officials from the Civil Defense Administration put it.

Answer Key

The silence around civil preparedness surrounds, as well, lists of the names of key people who will have to make heavy decisions in time of crisis and war.

"If we made public these names, we would be giving the enemy a key to those people he should have shot," says department head Steen Thorbeck, who has headed the Interior Ministry's civil preparedness work.

Another secret is held within the NATO exercises where civil and military authorities practice mobilization. Even the draft of an extraordinary powers law giving the government very free hands in crises and war has been out of bounds for the Folketing and the public.

A couple of years ago, left-wing politicians insisted on seeing the draft. They didn't get to. Instead, the extraordinary powers law was withdrawn, and now the efforts in planning are concentrating on building such emergency powers into the country's many ad hoc laws, as they are periodically revised anyway.

For example, an addition last year to a law concerning pharmacies requires pharmacies to keep reserve stocks of medicines, among other things. Another example is the "Law concerning the National Church's Buildings and Cemeteries" being prepared now to be put forward by the minister of religion this fall. According to paragraph 42 of the proposed law, the municipal administration will have the power of expropriation in order to get the necessary areas for mass burials in time of war.

Yet another well-guarded state secret is the "Handbook of Civil Preparedness" containing directions as to who shall do what and when if war threatens. This road map of Denmark's entry into war is kept secret out of concern for the enemy, and even members of the Folketing's defense committee may not get a copy.

"We don't think the enemy does not know many of the things that we try to keep secret. But they use relatively large amounts of their resources to find them out. If we were completely open, then they could manage with a single man who reads the newspapers," says department head Michael Elmquist of the Civil Defense Administration.

--Then it's just a kind of joke?

"No, it is certainly serious business. We tie up the adversary's resources this way."

If the Gag Disappeared

Jens Thoft, the Socialist People's Party member on the defense committee, is one of the few politicians who has publicly criticised the lack of openness concerning civil preparedness.

"I believe that the secretiveness is a conscious effort to avoid public criticism. Otherwise there would be many things that would never be adopted," he says.

"An example is the cooperative arrangements dividing war-time tasks between the civil defense, the police and the military. They have nonetheless slipped out, and it appears that civil defense has the task, among other things, of giving the military greater operational freedom. A public debate of the contents of these arrangements is avoided by keeping them secret."

"It becomes absurd when at the same time that observers from the Warsaw pact are invited to view exercises, I, a member of the Folketing's defense committee, am not allowed to know anything about them."

He points out that secretiveness and deterrence work in opposite directions.

"If the others don't know how strong we are, then they won't be frightened enough either. And the idea behind civil preparedness is, after all, to strengthen deterrence. Myths are another price one pays for secretiveness--for example, the myth about the Queen and the government having a swimming pool in the bunker," says Jens Thoft.

Department head Michael Elmquist denies that the secretiveness exists to avoid criticism.

"That is, of course, a very easy allegation to come up with, but I have never seen a clear-cut example of it. On the contrary, I would even say that, because they are secret, we are denied the use of the best arguments in the peace debate. It would surely be easier to argue if there were no fog," he believes.

"Where the planning is purely civil--for example, in the oil area--we don't classify anything at all. When something is kept secret, it is done because it has some relation to the military planning."

"If the cooperation with the military is to work, then the military must be able to count on our not revealing anything secret. On the other hand, the people have a right to know what we spend their tax money on. It can be really hard to balance."

"Of course there could be some things which we could easily lower the classification on, but I want to underscore that we in the last couple of years have followed a much more open line. The whole effort with community civil preparedness must necessarily function completely openly because there are so enormously many people involved."

"With respect to the government's bunders, there has always been a dream of being able to arrange a press conference in one of them. Then the press could with their own eyes see how modest they really are," says department head Michael Elmquist of the Civil Defense Administration.

MILITARY

DENMARK

FORMER ARMED FORCES CHIEF HITS SOCIALIST PEOPLE'S PLAN

Copenhagen INFORMATION in Danish 25 Jul 85 p 12

[Article by Niels-Jacob Andersen: "Two Doves Getting Closer?"]

[Text] Chairman of the Socialist People's Party Gert Petersen's new thoughts about the defense of Denmark are not new to former Defense Chief and present Colonel G. K. Kristensen. It is rather hard for him to see the difference between what Gert Petersen thinks of a "defensive defense" and the military of today.

A beautiful summer day at the barracks in Vordingborg. Outside, the blackbird sings, and in front of the barracks the G.I.'s are contentedly busy with the daily chores.

On the second floor of the Second Zealand Brigade's old headquarters, Colonel G. K. Kristensen, cast-off as defense chief after falling into disgrace with the bourgeoisie, talks of roads to war and peace to yours truly.

G. K. Kristensen has exchanged the Brazilian rosewood desk at the defense command post in Vedbaek with a more rustic one in the south of Zealand where, besides his job as "commander in the field," he also concerns himself with "scenarios."

A scenario in military terms is a hypothetical war game of threats containing the military's thoughts and ideas of how, when and why the enemy might attack. There are two kinds of scenarios: short and long. The long-term scenarios are structural. They are 30-year plans vital to the build-up of the Danish defense. The short-term scenarios are operative war game suggestions used to train both the present forces and the reserve to, "with clenched fists, throw the enemy back into the sea."

In honor of yours truly, G. K. Kristensen has just developed an operative scenario describing an isolated Russian surprise attack on Lolland-Falster. To talk about crisis, war and Armageddon on this beautiful south Zealand summer day seems so absurd as to border on the psychotic.

Nevertheless, that's what we are doing. In this connection where the grey zone between war and peace is the subject, the song of the blackbirds and the chatter of the uniformed youngsters in front of the barracks is a far-off turbulence.

Thoughts of Rearmament

G. K. Kristensen pours another round of coffee in the heavy porcelain cups and pulls another green Cecil cigarette from the crumpled ten-pack before he answers yours truly's surprise question:

[Question] What really is the difference between your well-known ideas about the defense of Denmark and Gert Petersen's new rearmament ideas as they are presented in the last chapter of "Roads to Peace"?

[Answer] You had better ask Gert Petersen about that. As I see it, it is not I who have changed my views on the structure and preparedness of the Danish defenses. On the contrary, I seem to especially detect a certain 'movement' in Gert Petersen's arguments as they are presented in the last chapter of 'Roads to Peace' where Gert Petersen discusses 'alternative defense.'

[Question] Is it your opinion then that Gert Petersen's rearmament ideas are truly reorganizational and not just old wine in new bottles?

[Answer] That's one way of putting it. To my eyes, it really looks like Gert Petersen has changed over to new and better ideas about the defense of Denmark. On the other hand, he is also forced to assume a bit more realistic view if the Socialist People's Party and the Social Democrats are to cooperate. The question--and this is what I think is interesting--is how big his backing in the party is. As I see it, Gert Petersen is moving towards new and interesting SF-ideas, if his abstract statements in "Roads to Peace" get concrete consequences.

F16 and Hawk

[Question] In "Roads to Peace" Gert Petersen defines the essence of alternative defense: "The prevailing thought today is that Denmark--until the international situation has considerably improved--must command a defense of the type that makes invasion of certain strategic points a rather costly and time-consuming affair--or that beforehand marks an actual occupation as something difficult and expensive. What does this imply for you as a military man?"

[Answer] It implies first and foremost decent air defenses. Without effective air defenses neither Denmark nor any other country can be defended. If we don't control the Danish airspace, we will quickly be run over no matter how many men we can mobilize. All our efforts will be in vain without decent air defenses.

[Question] Does that mean, seen through your military glasses, that Gert Petersen's idea of rearming to a "defensive defense" includes the present 48 F16 planes?

[Answer] Yes, at least. Furthermore, I am clearly convinced that we cannot manage a 'defensive defense' of Denmark with the F16's we have now. If we are to 'hold Denmark,' we must have a better air force than we have now. We must have more planes, more flexible operational possibilities in the form of, for example, highways, mobile radar installations, more vessels equipped with modern air-defense weapons and finally more landbased medium-range anti-aircraft missiles of the Hawk type.

[Question] Quite a mouthful, you might say. Do you think Gert Petersen had imagined all that military, highly technological hardware when he came up with his rearmament ideas? One could hardly call it "alternative defense". At most "accentuated defense"?

[Answer] You can call it what you want for that matter. But it is an inescapable fact if one talks about making an invasion of Denmark or parts thereof 'an expensive and time consuming affair.' If it is to have any effect against our enemy, he will have to know in advance, that is, in times of peace, what an attempted invasion will cost. There is only one way of letting him know and that is with ever-present defense forces. The enemy knows what we have to counterattack with, so it is only a question of whether we are serious when we talk about making an invasion of Denmark 'difficult and expensive' in advance. Let me say concerning the controversial F16's that they are neither offensive nor defensive in and of themselves. They would easily fit into a 'defensive defense' depending on what is attached to them.

Nuclear War--as Imaginable as Never-Never Land

[Question] Here we sit on a beautiful morning in a relatively well-functioning society talking about war, that is, death and destruction. Do you really believe there will be war?

G. K. Kristensen smiles, pours another round of coffee, rubs his chin and looks out the window before answering:

[Answer] No, not as things are now in our part of the world or have been for the past 40 years. Historically, we are experiencing an exceptional epoch in our part of the world. We are living in a period of relatively stable balance between the east/west blocks because both sides realize what an actual war would mean, namely, total annihilation of our civilization. Everyone is thinking in a totally different way, unlike anything previously, because of the immeasurable consequences of really seriously letting the powers loose.

[Question] Then you don't at all believe that the balance of terror could cause a war in Europe?

[Answer] Yes, war-like situations could very well arise in Europe. Situations that before the era of nuclear weapons could have triggered actual war. But because of nuclear weapons, among other things, they are not allowed to develop into actual war. The costs are so high that no one dares to let a conflict develop in earnest. That doesn't mean that we can't risk a conventional war in certain parts of Europe, but an actual war with all that it entails is unthinkable today.

[Question] Is it your opinion then that a nuclear war in Europe is as imaginable as Never-Never land?

[Answer] It shouldn't be made a joke of, but that is one way of saying it. It is impossible for me to imagine a nuclear war. Or put in a different way: It's all the same; if things should get that far, nothing would matter and there wouldn't be any more to talk about.

But as I said, I don't think things would be allowed to go that far because all the parties know what the results would be, not only for the enemy but for themselves. Future wars in our part of the world will be limited, isolated actions whose purpose would be to kind of place the enemy 'in-check,' a situation that would be the basis for further negotiation.

[Question] What if those negotiations result in a checkmate situation?

[Answer] They won't. Too much is at stake for both sides to let the adversary lose face. That is why the terror game is based on draw endings.

The American Angle and the Soviet Flaw

[Question] Among other things, you work with scenarios, that is, images of the enemy that contain the conceptions and prejudices you think the enemy has of us. Doesn't that carry a certain risk of overreaction?

[Answer] Both yes and no! There is, of course, always a risk because we are dealing with psychology. This means that our conception of the enemy can make him out to be worse than he really is. Moreover, there is the problem of unpredictability. War is always unpredictable. No matter how we plan or think, things will always develop otherwise.

[Question] How can you be sure that a possible conventional war in Europe would not turn into a checkmate situation?

[Answer] Because it would be the beginning of the end not only for the enemy but for all of us.

[Question] Back to prejudices. A few years ago, Olof Palme accused the U.S. of seeing communists everywhere. When Nicaragua's peasants revolted against the violence and oppression of the land-owners, Washington was convinced that the communists were responsible.

[Answer] Clearly. The Americans have a quite definitely two-dimensional view of things which carries with it certain dangers of overreacting. But still, they would never let it go so far as nuclear war.

On the other hand, there are certain things that indicate that the political administration in the Soviet Union doesn't always have control over the activities of the military administration either. It has been my experience many times that the Russians have involuntarily helped us right up until arms negotiations because they had held large exercises just before we were to begin negotiating the new budgets. It was fine for us, but it doesn't point

to a great deal of coordination between the political and the military apparatus in the Soviet Union.

Such conditions--the Americans' prejudices and the Soviets' failures of communication--carry with them certain dangers for misunderstandings...

[Question] Misunderstandings that could be fateful?

[Answer] As I said, I don't think so. In an intense situation, they would be clarified for the simple reason that there is much too much at stake for both parties.

War Consultants

[Question] Isn't it paradoxical that you, a highly professional soldier, should assert that there is absolutely no use for you or your brigade?

[Answer] Of course we are needed. The whole system depends on our very existence. But we are only here in case of the worst imaginable case: an attack against Denmark.

[Question] Against the background that you have just created, a war seems quite unimaginable. Couldn't we save a lot of money by reducing you to war consultants for crisis situations?

[Answer] Indeed a lot of money could be saved, but a credible defense could not be maintained. Our very existence is a part of the 'chess game' that keeps the peace. No one is tempted to try anything hasty so long as it isn't free of cost. If we were reduced to 'war consultants' in crisis situations, then it would very nearly be free of cost for the enemy to invade Denmark. In part, the materiel must be maintained and in part the manpower must be trained and trained again. And finally there is the question of when a crisis situation exists. A very sensitive question because an aggravated situation can easily be upgraded by calling in the 'war consultants' and the standing 'reserves' which, under such circumstances, would probably correspond to today's standing forces.

In fact, I believe that what we have today is a kind of 'war consultant service.' We work with the minimum forces in manpower and materiel if we are not to give up, as I believe we shouldn't, some parts of Denmark from the outset.

[Question] Are there others who believe that we should give up certain parts of Denmark from the outset?

[Answer] Not any longer. But for a number of years, there were people who asserted that it was impossible to hold all of Denmark, which meant first and foremost, the islands. It has been, for example, many years since we had large exercises on the southern islands for the simple reason that it was considered impossible to defend them. This is no longer the case. We will

defend every bit of Denmark, including the southern islands. By way of example, we are holding a large exercise on the southern islands this fall.

Taxes as Effective Means of Arms Limitation

But in the end the whole question of Denmark's defense depends on the taxpayers. The taxpayers, or more correctly the burden of taxation, is decisive for our ability and our will to defend. If the burden of taxation becomes too heavy, the taxpayers will desert. And one of the first things cut in peacetime, when there is equilibrium in the balance of power, is the military.

[Question] Taxes are thus an effective means of arms limitation?

[Answer] Yes, both here and in the other western democracies. If the individual citizen feels the press too hard, the politicians quickly look for a way to cut back. And in stable periods of peace, it is tempting to come down on the military. The only problem is that holes appear in both military manpower and materiel that can be difficult to make up later.

[Question] Back to Gert Petersen's thoughts of a "defensive defense" where he speaks of the difficulty of distinguishing between purely offensive and defensive weapons: "It does appear self-evident that a relatively short-range coastal defense (and short-range weapons in general) are defensive weapons, while weapons that are mounted on long-range delivery systems (airplanes, rockets, submarines, tanks) are offensive weapons--and that all nuclear weapons are criminal.

[Answer] Let's take that in reverse order. Of course one can call nuclear weapons 'criminal' when one thinks of the damage they cause. But as I said, I believe that nuclear weapons can have a peace-keeping effect for the very reason that they make a real war 'too costly' for us all. Therefore my 'model for peace' appears somewhat different than Gert Petersen's. I believe that we should keep a few hundred nuclear weapons if we want to avoid having crises and decided conflicts develop into larger wars.

With respect to Gert Petersen's differentiation between offensive and defensive weapons, I can only refer to what I said earlier, namely that air superiority is all-important and that the F-16 is in itself neither offensive nor defensive. If they are armed with short-range weapons, they will be categorized as short-range. The same goes for tanks, ships and short-range rockets.

I don't know what Gert Petersen is thinking of when he talks about 'defensive defense' with 'a relatively short range coastal defense' unless it is the kind of defense we have today. In fact, as things are today, we actually do have a 'defensive defense.' In any case, I cannot imagine any kind of defense without tanks and planes that could make it 'difficult and costly' to invade or occupy all or parts of Denmark. I think, or rather, I know that an enemy can't either. Without tanks or planes, it is absurd to talk about defense.

Out of NATO--Out of the Pact

What surprises me most about the last chapter of Gert Petersen's 'Roads to Peace' is the idea that we can remain in the Atlantic Pact but not in NATO, that is, not in the integrated military command system. Gert Petersen does not want outside help in a crisis or war situation. Well then, what are we doing in either one of them?

[Question] Would you then have us withdraw from the Atlantic Pact, too?

[Answer] No, now don't misunderstand me. I am simply trying to follow Gert Petersen's reasoning. If we withdraw from the intergrated military command, NATO, but remain a member of the Atlantic Pact, then I don't see the point.

[Question] The point is that we don't automatically get involved in a NATO counteroffensive.

[Answer] Nor would we automatically get involved in the case, for example, of an isolated attack on Denmark. NATO will first help after a request from the Danish side. That is, if they deem it necessary. There is no guarantee that NATO will help us militarily if the overall situation doesn't warrant it.

[Question] Isn't this meaningless talk since we, along with the Danish-German united command, BALTAP, in Karup, under Danish high command (COMBALTAP), are by definition entangled in an offensive NATO defense situation?

[Answer] Not necessarily! The Danish-German united command is a geographical recognition that the defense of Jutland includes, as well, the defense of Schleswig-Holstein. In the case of an isolated attack on Denmark, only the Danish forces will be affected unless, of course, the attack comes by way of Schleswig-Holstein. In that case, we would be prepared to meet it down there.

But still, the problem is that I can't see what we should be doing in the Atlantic Pact if we aren't in NATO. Indeed, Gert Petersen talks of 'non-military initiatives' in connection with membership in the Atlantic Pact, but for me, the talk of the Atlantic Pact versus NATO is a theoretical quarrel about nothing.

[Question] Both France and Greece are members of the Atlantic Pact but not of NATO. Why couldn't Denmark do the same?

[Answer] Indeed we could, but I can't see the point to it. There are special political circumstances in the case of both France and Greece that I don't want to get involved in, but with respect to Denmark, our problem is that we lie where we lie, strategically speaking. It is this unavoidable fact that we must keep in mind. And as far as I can see, the talk about the Atlantic Pact versus NATO is, as far as Denmark is concerned, more a political than a really military question.

Doves and Hawks

[Question] Then you totally disagree with Gert Petersen?

[Answer] I certainly hope not. For as I said, Gert Petersen has expanded his way of thinking. And his thoughts on the defense of Denmark deserve to be taken seriously.

[Question] Seriously?

[Answer] Yes, or realistically, if you will. After all, the problem today is that we have to deal with people at both the right and the left ends of the spectrum who aren't realistic. People who either over- or under-estimate the military situation.

[Question] Thus Gert Petersen is on the right track. What about yourself? You are certainly not considered a hawk within the Danish military?

[Answer] I don't know. I only believe that we get farthest when we take the way of argumentation. Therefore I gladly talk and discuss things with peace movements and others.

[Question] Are you and Gert Petersen really two doves that are about to approach each other from each his widely different dovecote?

[Answer] In reality, we are all 'doves' in as much as no one can seriously want war. Firemen cannot want fires either. So it is with military people. As for your question, you really ought to address it to Gert Petersen.

12819

CSO: 3613/179

MILITARY

DENMARK

FORMER SDP DEFENSE MINISTER OF OFFICERS' MEDIA COMMENTS

Copenhagen INFORMATION in Danish 23 Jul 85 p 6

[Article by Major Bent Agger: "What Kjeld Won't Let Me Say"]

[Text] Many years ago the military was attacked for secretiveness. The consequence was that officers began to take part in defense policy debates. Now they are accused of propagandizing.

The day when former Foreign and Defense Minister Jkeld Olesen came out with his assertion that a trip to Moscow by three social democratic Folketing members was classified as "undermining activities" in the Military's Information Service, he also managed to tell Danish and Swedish listeners that those Danish officers who participate in the debate on Denmark's defense and security policy are not loyal social democrats.

Since then, much has changed in this affair, but the comment about officers who participate in the debate remains hanging in the air. And now it is supplemented by Jens Thoft's desire for further reductions of the Military Information Service.

Many years ago the military was accused of secretiveness by the then-existing peace groups." Never Again War" and "Campaign Against Nuclear Weapons." They claimed that the armed forces had developed into a state within a state, and the fact that officers seldom or never spoke out only confirmed their belief that there was a lot to hide.

The defense minister and the armed forces' high command drew conclusions from this criticism and ordered the Military Information Service to inform the population about the armed forces--not just in an attempt to get more volunteers but also to make a contribution of real substance to the defense policy debate.

Since then a long list of publications have been released--as sort of flagships--in the two series "The Military in Society" and "The Military's Long Term Planning," in 16 and 11 volumes, respectively. In addition, special pamphlets are published, and last but not least, the Information Service has a number of military speakers who, voluntarily and without pay, participate in programs on security policy at schools and high schools,

in study circles, in political organisations, and naturally directly in the peace movement.

Now the piper blows another tune, and the same movements who accused the military of secretiveness now say that the military is propagandizing.

In 1983, two million kroner were transferred from the Military Information Service to the government's Security and Armament Limitation Committee (SNU). Since then the Information Service has naturally had to cut back its level of activities. Moreover, it was Kjeld Olesen who saw to it that the military got fewer chances to be heard in the debate.

This got the then-commander-in-chief, General K. Jorgensen, as well as the new defense minister to encourage military personnel to take part in the public debate. The defense minister did so with statements, among which was the following: "The broad goal we have now...says little about the target strength we must have, and that is first and foremost what it is all about. And I am not disinclined to believe that such a process could create a climate--and perhaps (it's wishful thinking) change enough seats in the Folketing--so that we could begin to argue for increasing the defense budget" and "We should have the defense that the people want and that the people are willing to pay for. But we ourselves must present our needs in an easily understandable, well-argued and sober fashion. And I would gladly contribute to that."

And there were many officers who also would gladly contribute.

Therefore they took part in the debate in magazines and at meetings in every kind of school, usually together with representatives of the peace movement. Not surprisingly, they realized that the military's arguments were good enough. That they were understood and accepted when they were explained.

The students realized that there are no easy answers to complicated problems, and the representatives from the peace movement had to acknowledge time and again that there is no alternative to NATO for the students. The students preferred to admit the fact that nuclear weapons have been invented rather than accept a worse evil, namely war.

They admit that security policy in the nuclear age must be grounded on the fact that war can no longer be used as an instrument to solve international conflicts.

Any other assumption implies the acceptance of a destruction that cannot be justified either politically, ethically or militarily. So long as there is the slightest possibility that a conflict might expand into nuclear war, then all wars between nuclear powers must be impossible.

Thus the students understand the paradox that the absolute precondition for keeping the peace is inextricably tied to the existence of the nuclear weapons.

Moreover, it is remarkable how little desire the students have to be hitched to--or in back of--an anti-American wagon.

But now these officers are in a jam.

Former Defense Minister Kjeld Olesen thinks that some of us are deserting the majority in the Folketing that ensures Danish footnotes. We may only express the majority's point of view, we may not have any dissenting opinion and in any case we may not give voice to it. Here I have to break down and admit that I am liberal in soul and political persuasion, which is why I have found it natural to rally round the flag of the Moderate Liberal Party. I also must admit I do not support the position that Denmark only have a disposable defense of regular personnel.

It has nothing to do with the regular personnel; for they are good. But it has everything to do with Denmark's ability to present an adequate and credible, mobilizable force. At what point should I hold my peace? What is it I may not say? May Colonel C.F. Hagen no longer point out problems? May Michael Clemmesen and Lieutenant Colonel S.S. Jensen (former and present member of SNU) only express themselves if they are in step with a particular political line? Does it also mean that President Ove Nathan must not speak out about the efforts that are made to save on the universities' budgets?

Since I have admitted that I am of liberal and not social democratic political persuasion, I can just as well admit that when Kjeld Olesen and others were in Moscow and Washington I cut out articles in the newspapers. I found the slippings, to my relief, under "Diverse peace efforts"!

I took advantage of the occasion to see if I had anything under the rubric of "Subversion." I did. The events concerned "Treaty Now" petition to the American and Soviet leaders, where the organization informed the general public that an answer had only been received from the Soviets in spite of the fact that the American embassy in Norway had delivered the American answer at a much earlier time. Whether this kind of mis-information deserves the label "subversion" is indeed a matter of opinion, and that apparently was my opinion at the time I archived the matter.

It surely grates on Kjeld Olesen's ear to hear that there are officers who clip out articles in the paper, but such is the price if one wishes to partake in the debate. Perhaps he only wants participation from those who agree with the party's current policy?

It may very well be that it is unreasonable, but one begins to feel that there is a pattern. First, Kjeld Olesen contrived to have qualified information about the Danish defense, security policy and the assumptions and conditions that they depend upon severely cut.

As this apparently wasn't enough, a chance occasion was used to accuse the entire--or almost the entire--officer corps in order to use incorrect arguments in the debate because the arguments are not in accordance with what his party now considers to be the only truth.

Naturally I don't doubt for a second that Kjeld Olesen wants a credible Danish defense and that this defense should continue to be a member of the western alliance, but silencing the voice of the military in the debate will only get the "bad guys" to laugh. In this connection the "bad guys" are those who purport to want something other than what they really do. They are the peace movement's parasites, and it is primarily they who are to blame that the peace movement today has been suffocated because it was not--or only in a very limited way--capable of formulating criticism of anything but the United States and NATO. By demanding that the military participation in the debate on Danish defense policy be stopped, Kjeld Olesen contributes to a situation where only the peace movement's emotional--and perhaps false--tidings are heard.

Danish officers are very loyal to the political system they serve. They recognize the truth behind Clausewitz's theory that the intelligence (!) is in the policy and that the military means are only an instrument. I don't think that any Danish officer would dream of politicising against any political party in the security policy debate, but of course that does not mean that they would not argue against what they consider to be false or doubtful postulates.

I have occasionally appeared together with "custodians" as well as SAM representatives (from Social Democrats Against Atomic Weapons and Militarism). There have been good, productive discussions, and their quality will certainly fall as long as I must first have Kjeld Olesen's permission to speak out on controversial questions.

12819

CSO: 3613/179

MILITARY

DENMARK

AIR FORCE PILOTS' REPRESENTATIVE ON MINISTER'S VIEWS

Copenhagen BERLINGSKE TIDENDE in Danish 26 Jul 85 p 11

[Op Ed Article by Birger Kagan, collective representative for the pilots at Vaerloose, committee member of the Defense Forces Pilots' Union: "Minister Makes Pilots' Choice Easy"]

[Text] Our thanks to the minister because he was so kind as to take up the gauntlet concerning the lack of pilots. The minister's contribution gives me occasion to put forward some comments concerning, in particular, a civilian pilot's school.

One does not need to have occupied long with the pilot issue before a pattern presents itself quite clearly. In fact, it appears that a lack of pilots occurs in rather regular intervals. Thus about every 5-7 years, there emerges an acute need for the civilian airlines to expand their stable of pilots, a process that lasts about 1-2 years, after which someone or other turns an oil tap the wrong way and we end up in the opposite situation with crisis and stagnation.

The immediate situation, however, is somewhat different since it has been foreseeable for a long time, notwithstanding the airlines' prognoses, which are probably extremely conservative and which often do not reflect the whole truth because they want to keep future expansions and increases in activity secret.

This is normal practice for many firms even outside the airline business.

Everyone knows that many pilots in the civilian airlines will reach the 60-year-old age limit at the end of the 80's. And anyone who reads the business section of the newspapers must be aware of the brilliant results that the airlines, not the least of which is SAS, have been able to show for the last 2-3 years. Consequently, SAS decided to expand, which it indeed has. Therefore, it is incomprehensible when the minister says that one had no knowledge of the need that is recognized today.

If we now establish this civilian pilot's school and train our way out of our problems, in 4-5 years we will have an excellent school with a capacity figured to meet the 80's great needs but with the 90's demonstrated need

of perhaps between 10 and 20 civilian pilots and about five military pilots a year. We will therefore gain an overcapacity in an area where the investments are enormous. Afterwards there will be reductions and dismissals. All because of poor planning.

The minister has also clearly made it known who shall pay for this civilian pilot's school: those who profit from it. Whether it is the armed forces who profit from it (who ostensibly would hold onto pilots this way) or the civilian airlines can certainly give rise to discussion.

The minister says the armed forces neither can nor should cover the civilian airlines' great need for pilots. The defense compromise law presupposes, in fact, that the armed forces can only train pilots for "their own use." When this is compared with the minister's comment that improvements in pay and appointment cannot solve the problems, then the pilots can inform the minister that the armed forces certainly will get to cover the civilian airlines' needs--whether we want them to or not.

When the minister writes that it is legal to exploit a shortage situation for improvements, it must be said in response that the pilots have no chance to "exploit" anything whatsoever.

Those improvements that the pilots can get must come from the employer's actually asking the pilots to accept them. As is well known, yet another law on salary and working conditions for public employees has been passed, and in as much as they have no right to strike, they can only give information about problems and suggestions as to solutions.

The minister's unwillingness to meet the pilots' desires for greater parity in salary between a pilot in the military and, for example, an SAS pilot makes it easy for the civil airlines to cover their needs with pilots from the armed forces--just as it makes the pilots' choice extremely simple.

With such an attitude it becomes impossible for the minister to live up to the intentions of the defense compromise law, that is, that the military should train pilots exclusively for the armed forces. The minister must accept ordinary market mechanisms. And as the minister's own party believes in free enterprise, the pilots eagerly await the first round in the competition over who gets pilots and who does not.

If, with salaries about 50-60 percent of civilian pilots' as well as working conditions where 24 hours of service only count for 16 working hours, the minister thinks he has good cards going into the competition with the civilian airlines, whose beginning salary is more than the military's after 10-12 years seniority, then the future will show how catastrophic a mistake the minister is making.

12819

CSO: 3613/179

MILITARY

DENMARK

'CONFUSION' SEEN IN SOCIAL DEMOCRATS' SECURITY POLICY

PM251702 Copenhagen POLITIKEN in Danish 21 Aug 85 (Section 2) p 4

[Editorial: "Zone Therapy"]

[Text] It seems a little depressing to note that the Social Democratic Party is expending so much energy on creating confusion about our security policy at the same time as there are signs of a strange torpov in the body of the party when the talks turn to more practical problems.

Recently it has appeared as if JYLLANDS-POSTEN has misunderstood the Social Democratic security policy spokesman. He is quoted as believing that the Nordic nuclear-free zone could be set up exclusively on the foundation of Soviet guarantees. That is, without U.S. acceptance.

The theme has been taken up by a number of nonsocialist politicians who take the view that Lasse Budtz's remark is in conflict with the so-called May resolution, in which the Folketing adopted the stance that a possible future nuclear-free zone in the Nordic area must be guaranteed by both superpowers. The zone must also be the result of exhaustive negotiations with the other NATO members.

Budtz says that he is unable to recognize his remarks as quoted in KYLLANDS-POSTEN. But in a statement in LAND OG FOLK he embroiders on them a little further when he says that "the situation could arise if the Americans say 'no' to a joint approach by the Nordic countries. But I do not think that they will."

If and if. What is the point of the security policy spokesman for the country's largest party throwing himself into speculations which, as far as we can see, can only reduce the prospects of the political parties formulating a national security policy across the central political divide?

The possibility of introducing a nuclear-free zone in the Nordic area is even more distant than the possibility of realizing President Reagan's so-called star wars project.

Budtz's idea lies on the borderline between utopia and reality. Or it does so at least if it is to be realized within the framework of the May resolution. That is, if Denmark is to retain its full membership of NATO.

The Social Democratic Party intends to put forward a series of new resolutions on the nuclear-free zone. This will simply serve to create further doubts about the Social Democratic Party's security policy line. If the aim is to slow down the loss of votes to the Socialist People's Party the method is a poor one. For where utopias are concerned the Socialist People's Party can trounce the Social Democrats any day.

The best thing the Social Democrats can mobilize in their competition for votes with the Socialist People's Party is old-fashioned reliability and responsibility. This applies not least to the security policy field, where we have gradually lost all influence in international contexts.

The Social Democrats could put their position as a party qualified to govern in danger. Dubious zone resolutions are not an expression of security policy. But of political insecurity.

CSO: 3613/193

MILITARY

DENMARK

ENGELL REJECTS HESELTINE'S CRITICISMS OF DEFENSE CREDIBILITY

Copenhagen BERLINGSKE TIDENDE in Danish 11 Aug 85 p 12

[Op Ed Article by Hans Engell, Minister of Defense]

[Text] Our NATO partners might want Denmark to make a greater contribution in certain areas, but they recognize that our contributions in many areas are considerable--and that what we do, we do well.

In the month of June, we had a visit from the British minister of defense, Michael Heseltine. In a very frank speech he commented on the Danish defense and security policy. He pointed out that what we did in this area in Denmark was of great importance for the British security policy, and he felt that we could make a bigger contribution. He realized that Denmark had economic problems but pointed out that countries within NATO with even bigger problems were nevertheless able to make greater defense contributions. Somewhat polemically he wondered whether we in Denmark would have the same degree of security if the Allies made as little contribution to the defense as the Danes.

We have at intervals heard similar statements from other Allies, but the reason why the British minister of defense felt that he had the right to make such an open statement on Danish security problems was that the problems were mutual and that the planned British reinforcements in the final analysis might have the effect that 20,000 young British soldiers might have to give their lives on Danish soil.

I certainly agree with my British colleague that he has the right to state his opinion on our situation. Generally, on the basis of our joint membership of NATO and especially on account of the British reinforcements. From the Danish side, we are not too hesitant either to tell other countries how they ought to handle their security problems.

I agree with Heseltine that we ought to make a greater contribution to our own defense. I wish that we had the funds to call up a larger number of conscripts so that our reserves could be renewed. I wish that more of the rather old weapons systems of the Armed Forces could be replaced. And I wish

that stockpiles of ammunition which have been drained away for purposes of training could be built up again a little more rapidly.

However, even if the government might desire that greater efforts be made in these areas, I have to recognize that we have the financial means for the defense on which political agreement may be reached. It is after all of great importance for our security policy that the political and economic framework for the defense is fixed pursuant to the defense agreement so that we shall not each year have to clarify our defense situation during the budgetary debate. Everybody will, no doubt, be able to imagine the uncertainty and the contingencies which might affect the decisions. As things are now, we know the budget, and it will be up to the minister and those employed within the Defense System to see to it that the funds are utilized in the best possible manner.

Michael Heseltine, however, also said something which gratified me a lot, viz.: "The things you Danes do, you do excellently!" One may then find that this is empty flattery or sugar on the bitter pill. But that is hardly the case. The supreme commander of NATO in the North Region has made extremely positive statements on the Danish defense, and in the annual NATO report evaluating the Danish defense--despite critical observations--there is agreement among our Allies that even if the grants for our defense ought to be larger, Denmark gets the maximum effect out of the funds allocated. The units of the Danish Army has several times won in the NATO infantry competitions. Our fighter aircraft range internationally among the best. The cooperation between aircraft and the vessels of the Naval Defense is decentralized and is hardly better in any other country. We have an effective Home Guard force of 77,000 men and women for about 3 percent of the defense budget. In many areas we may thus be proud of our efforts.

The Danish efforts in the defense area have also been evaluated in other quarters. Once a year, the U.S. secretary of defense sends Congress a report on the distribution of contributions to the common defense among the United States and its Allies, the so-called "Report on Allied Contributions to The Common Defense." In that report, Pentagon seeks to provide a balanced and realistic evaluation of whether the individual Allies make a reasonable contribution to the defense of the Western world. It is recognized that it is a very complex and difficult task. By way of example: in some countries, the pension payments to retired officers are included in the defense budget--in other countries under the social budget. How does one estimate the value of the extensive installations made available by West Germany for the American and other forces? How large a share of the expenditures of the United States as a global superpower with the resulting forces will have to be included in the calculations?

It is hardly surprising that in a comparison among NATO countries, Denmark is close to the bottom in many areas also in the most recent report: the defense expenditures as a share of the gross national product (only Luxembourg and Canada are lower), the size of the peacetime force as a share of the population, the development in strength targets and the real growth in defense expenditures.

In other areas, the Danish defense, however, is evaluated nicely. A comparison is made, for example, of the conventional military forces a country may realistically be able to come up with in a given situation, and their effect, with the ability to contribute (i.e. its wealth). Denmark's share of the combined gross national product of the NATO countries (plus that of Japan) thus constitutes 0.77 percent, but we contribute 1.78 percent of the combat force for the armed forces and 1.24 percent of the tactical airforces. If these figures are compared, it gives a factor for armed forces of 2.32, which places Denmark ahead of, for example, Norway, the Netherlands, West Germany, France, Great Britain, the United States, and in the case of tactical airforces of 1.62--behind Norway and Belgium, among others, but ahead of the United States, West Germany, Great Britain, etc. Of course, one has to be cautious when quoting figures. It has been claimed that statistics is the direct road from a position adopted beforehand to a rash decision. It, nevertheless, shows that we have no reason to be ashamed of our contributions in these areas.

There have been strong forces in Congress, headed by Senator Sam Nunn from Georgia, urgently advocating a reduction in the number of U.S. forces in Europe unless the Allies increase their contributions in certain areas. After much argumentation from the Pentagon, the proposal was rejected by a slight majority, but the extensive debate showed that American politicians are much preoccupied with the said problems of the distribution of the contributions to the common defense. A proposal which puts a ceiling on the U.S. forces in Europe at the present level, was adopted. That ceiling may, however, be raised if it may be established that the European Allies have taken important steps in the direction, among other things, of improving their stockpiles of ammunitions and support facilities for U.S. reinforcement units.

In his comments on the report, Secretary of Defense Weinberger recognizes the difficulties in making comparisons of defense contributions. His conclusion is that the Allies make a quite considerable contribution to the joint defense. Greater than is generally known in the United States. He finds however, that certain countries would be able to, and ought to, make bigger contributions--none mentioned, none forgotten. The possibility on the part of the United States to influence the Allies is best furthered through the force of example and the value of arguments. Not by way of fruitless discussions in Congress on the distribution of defense contributions or by way of bills, threatening reductions in strengths unless the Allies react in a certain way. A clear signal is here sent to Senator Nunn.

Our Allies might want for us to make greater contributions in certain areas. They admit, however, that these are considerable in many areas, and that what we do, we are doing well. There may be reason to be gratified at this, at the same time as we in this country are conducting a debate on the use of the resources of the Defense System. In an enterprise with 40,000 permanent employees and a turnover of 11 billion kroner, there will, of course, always be things which may be improved and be made more efficient. And it is our duty to see to it that this takes place. However, the general charges

leveled against the Armed Forces for slovenliness and waste are greatly exaggerated. The facts and the evaluations on the part of our Allies point in a different direction.

7262

CSO: 3613/192

MILITARY

FEDERAL REPUBLIC OF GERMANY

SENIOR DEFENSE OFFICIAL ON MANPOWER, ARMS COOPERATION, SDI

Bonn TRUPPENPRAXIS in German Jul 85 pp 315-319

[Interview with Prof Dr Manfred Timmermann, secretary of state for armaments, logistics, data processing and telecommunications in the Federal Ministry of Defense, conducted by Lt Col Klaus Neumann at Bonn, date not given: "Armament Cooperation--Innovation and Competition"]

[Text] The structure, personnel requirements and armament of the armed forces are interdependent in a variety of ways. In the following interview with Prof Dr Manfred Timmermann, secretary of state in the Federal Ministry of Defense, it is intended to elucidate planning designs and projects, point up problems and outline the framework of possibilities.

Prof Dr Timmermann has been secretary of state for armaments, Bundeswehr [Federal Armed Forces] planning, logistics, data processing and telecommunications since April 1984. Previously he had been a professor at the University of Konstanz in public administration, from 1973, full professor for business management in public administration at the College of St Gallen from 1981, and honorary professor at the University of Konstanz from 1983.

Timmermann was born in Bremen in 1936. After completing his college studies, he held academic posts at the universities of Kiel, Berlin and Mannheim and gathered business experience in leading management posts.

[Question] It appears that the decreasing availability of draftees is probably becoming the problem overshadowing all others. What measures do you have on your agenda?

[Answer] For a start we have conducted a very careful analysis of the effects, over the medium and also the long term, of the demographic trends in the Federal Republic on Bundeswehr personnel requirements. We have to assume that we will maintain the peace strength of the Bundeswehr, particularly as planned in the event of a crisis. Your question is

definitely justified, as is your remark concerning the insidious long-term problems affecting the Bundeswehr. We have to do a great deal in this field and have provided for a package of measures. The first step: An analysis of the trends themselves and their effect on the Bundeswehr. The second step: Checking possible attempts at a solution prior to planning, making relevant calculations, analyzing the pros and cons and choosing a list of measures which then leads to a stabilization of the size of personnel.

Altogether it is a question of two large sectors--draftees and, particularly, long-term soldiers. The key measure here, we think, is raising the period of military service from 15 to 18 months. This is under parliamentary consideration and is certainly the big contribution to obtaining the required number of draftees. In the second sector, that of long-term soldiers, it is a question of remaining attractive through a number of measures in order that here too we may acquire the personnel required for the structure of the Bundeswehr. This turns into a whole list of measures, which ought not to be explained in detail, attempting in various fields to raise attractiveness in order to increase the number of soldiers serving a lengthy period or at least keep it at the present level.

[Question] Unemployment makes it necessary to make ever new--political--evaluations which constantly become outdated. This being the case, is it in fact possible to engage in long-term planning or even to make a prognosis for a period of 15 years?

[Answer] There is hardly a single area where a prognosis is as sure as in the area of population prognoses. Here long periods can be anticipated, because a young man lives a long time before he becomes subject to military service. The question of the transition quotas--in other words, of draftees who sign up for lengthy service--does not lend itself too well to a prognosis because the attitude of people can change. We have to take steps to absorb changes in attitudes. This rules out any major uncertainty. Your question--and it is a very important one--refers to competition with industry.

The rate of unemployment will go down, and the problems of employment are reduced by the decrease in persons coming of age. There will be keen competition between the Bundeswehr and industry, particularly for those with lengthy terms of service. This is especially true of demanding fields of training, such as data processing, where modern microelectronic defense materiel really has to be well tended and maintained. This makes it necessary for us to be attractive enough not to lose the qualified people on the tight labor market and to be able to cover our demand. Also, hopeful of a favorable economic development, we at least must prepare for it.

[Question] On the basis of the planned overall budget funds, there arises the question concerning planning and the elimination of certain factors in order to prevent cost explosions between the ordering and introduction of defense materiel, such as has occurred in the past.

[Answer] Quite rightly you have assigned top priority to the personnel sector. Then follow the problems of cost increases connected with the introduction of sizable expensive defense material.

The uncertainty in Bundeswehr planning lies not primarily in the financial field but in the field of forecasting emergency situations, in the forecasting of combat scenarios which we have to expect during the period in which the Bundeswehr planning will take effect. The Bundeswehr plan extends over 15 years, and the component contained in it concerning research and technology extends even beyond that period. A prognosis of an emergency situation in 1998 or 2000 is difficult. We can overcome this risk only through optimal adjustment to the technological-electronic trend.

It is really only after this that the question of funds enters the picture. Of course we would like to have more money, but we cannot say that we are badly off.

Your question touches on a constant problem of planning: monetary effects of price increases as a result of inflation, changes in exchange rates and developments causing a rise in costs in the technological field on the average lead to a rise in costs of 5 percent a year. In the procurement volume of Bundeswehr planning, amounting to 183 billion, this means about 9 or 10 billion of the planned total if a 5 percent rate of increase is applied--an amount almost equaling one planning year. Against the rise in costs, we can offset economies resulting from successful rationalization in procurement which decrease the problem at the same time, but that is an amount well below 5 percent; the rest has to be offset through rationalization economies elsewhere. The unfortunate developments in regard to overplanning and underplanning, which have indeed caused a bit of a furor, have to be avoided through greater support by data processing in the preparation and implementation. I assume that with our current management and the planning instruments at its disposal such mistakes are no longer possible.

[Question] Microelectronics, as the most modern technology and as a challenge for the future, are a parameter which makes young officers trained in electronics and their soldiers sit up and take notice as far as old equipment is concerned. Will the effect of this innovation--which is routine in the civilian sector--also reach the forces?

[Answer] As you have rightly said, microelectronics are a very great challenge for the future of defense technology, which we must take into account.

Therefore your question is of vital importance, extending to training and logistics. In training, we can adjust in time, because the young generation handles electronics with ease--a basic attitude which is transferred to training in defense material and electronic equipment in the Bundeswehr. Using such equipment will become much more simple, and we will have hardly any problems as far as qualifications or possibilities of use are concerned;

that is much more likely to work than logistics. For there this question confronts us: Do we have enough specialists who can repair those microelectronic elements for us? In logistics we must prepare ourselves for a greater need of qualified people who can implement software repairs, software maintenance and software modifications. Our basic attitude and the training and advanced training of these people assume essential importance.

[Question] In training it often turns out that instructors are not familiar enough with equipment to do their job completely from the first day the equipment is introduced. How do you plan to cope with that? Are you planning simulators and adequate practice runs?

[Answer] We have to do both. The use of simulators must be increased for reasons of cost, because training with simulators is much more cost effective. But we also have to use early practice runs, and as a result of both methods each piece of equipment will have someone trained with it in good time.

[Question] If you ask industry, particularly medium industry, to get active by strengthening competition, the question arises: Do the armed forces develop their strategy in accordance with the technology offered, the mail order (order and pay) principle, or do they make demands which technologically border on squaring a circle?

[Answer] I think the only way to handle this question is to say that neither way is right: it is a question of give and take. I have a very high regard for intensive contacts between industry and the military staffs doing preparatory planning for new defense materiel to meet military demands. Industry is told about the military task, and it then comes up with certain ideas concerning the marginalia. It is particularly medium industry which not without reason is considered especially creative, coming up with proposals for solutions by using new technology. But as far as we are concerned, the military task, the military demand is the main thing, strategically as well as operationally. To use technological innovation on a broad basis, it is necessary (I emphasize this once again) to intensify the contacts between the military staffs and industry.

[Question] Today armament cooperation is almost a matter of course in Europe, but across the Atlantic there emerges again and again a fiction which people are fond of describing as a "one-way street." What possibilities do you envisage for cooperating in NATO across the Atlantic and what are the prospects of the French Eureka proposal?

[Answer] We have to strive for armament cooperation because military harmonization of defense materiel is an aim and component of the NATO Treaty. But, given military harmonization, we also want to derive the benefit resulting from cost diversification: we develop and produce a weapons system together, the number of pieces becomes greater, and the shared costs per piece become smaller. This is exactly the economic

advantage of armament cooperation which is hoped for time and again. Unfortunately this very cost advantage is often offset, or even more than offset, by national egotisms deriving from industrial interests--generally by way of making short-term economic adjustments in order to maintain jobs in one's own country.

Since new developments also always affect civilian technology, it is especially the technological problems that are also being debated particularly intensively in public these days. It is the task of politicians to create in the various bodies but also in connection with the trans-Atlantic dialogue, under the slogan of "two-way street," all the prerequisites for overcoming national egotisms.

Now as for the slogan of "one-way street": The Americans occupy a top position in technology. They therefore predominate in armament technology and manage to obtain greater shares whenever the Europeans not only buy from the United States but, as a result neglect such technology in Europe to boot.

As for the slogan of "two-way street"--that is, the transfer of technology in both directions across the Atlantic--I believe that any sweeping answer to these questions misses the point. It is simply not true that we in Europe are lagging behind everywhere in technology, that the United States occupies the leading position in all fields and that we are becoming more and more dependent as far as technology is concerned. The U.S. interest in European participation in SDI clearly shows that the Americans would be quite pleased to tread new paths jointly with European and particularly German industry. The Americans realize that in certain fields we truly occupy the top spot in the world--in optronics, for example. We should expand this and catch up in other sectors in order to remain competitive. We must not create instances of technological dependence rather than armament cooperation but must overcome this dependence. This requires the courage to specialize, because financially speaking we cannot cover all technological fields. The debate about SDI is particularly intensive because it is feared that a similar situation might occur as occurred after the sputnik shock of 1956, which led to the Americans implementing a program with enormous elan and a lot of money and putting a man on the moon before the Russians.

Basically we face a similar situation in the case of the SDI program. With this big but politically very controversial research program, the United States might again take a technological leap which would lead to a technological lag in Europe if we did not participate.

This is the assessment as far as technological policy goes. Particularly from the German point of view, we must ask first of all what the tendency of the security policy factors is, including the prospects of armament control policy. But we must also include considerations of military strategy to enable us to answer the question of participation in SDI.

Once the Europe policy deliberations have been concluded, we have to come up with an unequivocal yes for reasons of technology policy. We have to participate so as to skillfully take advantage of the opportunity. The emphasis is on "skillfully": we must find a way to cooperate, to exchange technology, in order to prevent the knowledge generated in such a program in the way of patents and licenses from going to the United States and from not being able to be used in Europe even as far as civilian industry is concerned.

To this extent, the European efforts and also the French intentions are quite understandable. From the point of view of technology policy the question remains: Should Europe develop a research program of its own in order to become a partner of the Americans in the SDI program? A parting of ways via a European research association, in the form of a technological association, could concentrate exclusively on the civilian sector, as is the case for instance with European space travel.

The same technological effect could be obtained in the field of marine technology or energy research or in other big fields of international concern these days. Only, it is easier to come up with the motivation, the energy and finally with the political pressure and financial resources for a program like SDI than for a purely civilian complex of problems.

[Question] What planning projects are necessitated by the Federal Government's moderate approval of the FOFA ideas of SACEUR, or are alternatives--strategic or technological--being offered from the German side?

[Answer] First of all, let us state that FOFA is a concept in the way of a package of strategic measures with operational consequences which was not ordered by SACEUR, which is now known as the "Rogers plan" and which came into being with intensive participation particularly by the Germans. As to detail, let us first think about what the consequences are. Quite a substantial part we can cover with past concepts and technological systems, so that there is no need for any kind of grand changes to also coordinate this concept with our own deliberations.

[Question] Customarily medium term financial planning looks 4 or 5 years ahead. Bundeswehr planning, however, extends far into the 1990's. Is there not a very great danger of speculation which can lead to surprises and frictions?

[Answer] You are right: the Bundeswehr plan extends far beyond Federal medium term financial planning. It is a good thing it does because we need longer periods for our development and procurement projects.

Basically we are tied into the medium term financial plan. To a certain extent the first periods of the Bundeswehr plan and medium term financial planning cover each other, and this is also true of the annual reassessment. As to whatever comes after the respective last year of the medium-term

financial planning in the Bundeswehr plan, we assume the same financial carry forward, which is based on this year's expenditures and revenues being the minimum and, at the same time, the projected total for all the following years. In this planning, we consider neither the rates of growth nor the monetary trend. This trend and the increase in real terms, we have to include in the budget from case to case. But this way we are playing safe--unless the Federal budget becomes indigent as a whole.

[Question] In the integrated sector--in other words, in the daily close contact with the officers of other nations among the NATO staffs, one can observe that officers, with the U.S. ones in the lead, consider themselves ambassadors of their national industries to a far greater extent than the German officers do.

[Answer] That is a problem which I find exceedingly important and in need of improvement in two directions. What I mean is intensive contact with industry, going into the factories, into the laboratories and into the development offices. Even though we do not want to sell frigates, for instance in Pakistan or Australia, the way another country does, we still must willy-nilly carry German industry along from the military aspect, all the way to concrete support. If we do not do so, we will not do any favors either to industry or to the Bundeswehr, for the tax funds for the Bundeswehr are directly connected with industry. This is not a question of possibilities but a question of basic attitude, and here, for understandable reasons, we have maintained great reserve in the past. Here I do not wish to relieve the armament department, which is following this with some concern, of its responsibility--of cultivating contacts with industry--for I am not afraid that something might happen which we would not be able to control any longer. Rather I am afraid that without this new contact we will no longer speak the same language and will not recognize in time the technological possibilities of industry in order to turn them into military requirement demands. Let the armament department be aware that this does not mean that the military plans to conspire with industry.

Representation of German industrial interests by the military representatives on international bodies or in integrated staffs has to be improved substantially in order that we may not be at a disadvantage in competition, either in NATO or in third countries--unless this is the case because of armament export restrictions based on political considerations. We cannot leave the representation of the interests of the German defense industry entirely to the embassies, which frequently are severely understaffed. Take, for instance, our embassy in Washington: There Bundeswehr support is needed because of the incredibly high demand emanating also from medium industry, which for reasons of cost cannot afford its own representation abroad.

[Question] Mr State Secretary, you have now been in office for a year. You have made the switch from industry and academic life and have entered the top management of this outfit. What were your expectations when you assumed office? Have you been able to fulfill them or perhaps even increase them, or have you had to retrench?

[Answer] I did not make the transition "from academic to practical life" entirely without preparation. I made it gladly and have not regretted making it, for I had been active in industry for as long as 10 years prior to my academic career and, it is interesting to note, found a number of problems in industry to be the same here or in the Bundeswehr as a whole. The contrast with the academic world is great. My main concern is that I recognize many problems but have little chance to change them quickly or in a short time. My greatest impatience concerns the administrative sector.

Take project management, for example. For an industrial concern it goes without saying that it is supported by data processing; here this state of affairs has not yet been reached by a long shot. This is not a reproach against employees but is due to a lack of scope in making the equipment available and possibly [to a lack of] training and advanced training of employees with a view to familiarizing them with modern instruments based on electronic data processing. I demand this, however, in order to be able to cope successfully with the even more demanding work in the complicated international armament cooperation. More personnel will not be available in the foreseeable future. To increase efficiency, particularly here in administration in the broadest sense of the word, we have to use electronic data processing and employ modern management techniques.

Another sector is cooperation with industry, to which we have to devote particular care. As a vital client in the defense technology sector, we are interested in sound competition. In the process, we seek to include the middle classes. However, we do not strive for purely national competition; rather we need two or three major defense technology concerns which are recognized as interlocutors for international cooperation, which have the relevant know-how, the necessary management qualifications and the financial cushion to conduct armament cooperation and the exchange of technology.

Only in this way is it possible to insure technological development in sound competition on an international scale in the long run.

8790
CSO: 3620/459

MILITARY

FEDERAL REPUBLIC OF GERMANY

FRENCH CONVENTIONAL, NOT NUCLEAR, ARMS SEEN AS SECURITY

Hamburg DIE ZEIT in German 12 Jul 85 p 4

/Commentary by Kurt Becker: "No Mere Paper Shuffling. But in the German View France's Conventional Support Is More Important Than All Declarations of Nuclear Intentions"/

/Text/ The reversal of opinion in French strategic debate has led in just 3 years to new positions that previously would never have been expected and certainly not at the present pace. In essence, France is including the Federal Republic under its military protection as one of its security interests, both in deterrence through nuclear weapons and in the realm of conventional defense.

But is this really the end of the traditional French classification of its German neighbor as merely an advanced glacis, a strategic buffer zone? The answer can only be: No, not for the time being. For up until now it has been a matter of nothing more than position papers by the parties--excluding the Communists--on security policies, which are strikingly in agreement but which--between the Socialists as well as the Giscardists and the Gaullists--are also unclear and contain reservations. They are recommendations for the future. And for another thing: Neither Francois Mitterrand nor his Prime Minister, Laurent Fabius, nor the Defense Minister Charles Hernu, have revised a single thesis of their defense doctrine, which rests on the French claim to autonomy.

The official policy in Paris remains, moreover, still wholly untouched by all this. Still, the party discussion deserves favorable attention. It is not mere paper shuffling. German-French discussion of security policy has been institutionalized at the level of Foreign and Defense Ministers for three years now and, experience shows, that a consensus among the leading parties should also make its way into official policy. In any event, this discussion will work as an impetus for French thought on security policy.

Above all, it is clear that, since Mitterrand took office, France has felt itself incessantly driven to take initiatives in security policy vis-a-vis Bonn. This was brought about by Mitterrand's concerned assessment of the situation. A part of this, from the beginning, was the high level of Soviet

armament and the resulting dependence in military strategy and policy of all the West European countries, including France, on an intact Western alliance. Added to this were the German debate on disarmament, which deeply disturbed Paris, and the peace movement. Both these factors made the State President, in accordance with the traditional diplomacy of the Elysee Palace, all the more determined to bind the Federal Republic more closely to France with perspectives for a portentous future. This really first came into play when America started planning an anti-missile defense from space and awakened, precisely in our neighbor, doubts about a continuing guarantee of security for Europe and the future value of their own nuclear weapons.

So, first of all came Mitterrand's plea for intensive cooperation with Bonn in security policy. It was followed by the rather precipitously introduced attempt to revive the West European Union--which seems in the meanwhile to have foundered--so as to organize an independent European security policy. Lastly, the Eureka program was also part of this, with its goal of providing Europe better access to space, including even a plan to station a European observation satellite. Without this, France's nuclear weapons would either be blind or dependent on American help. And, to show its involvement in Europe, France made itself a military instrument of conventional defense as well: the 47,000-man mobile attack force (force d'action rapide).

Bonn was always greatly interested in all this, but also somewhat sceptical. Helmut Kohl perceived a common security policy, first and foremost, as an enormously important and ultimately indispensable complement to his thoughts of a European union. But he never came forward as the architect of an internally coherent overall idea, which Paris always lacked. Ministers Hans-Dietrich Genscher and Manfred Woerner, along with their experts, were certainly more aware of the obstacles, which once seemed insurmountable.

In particular, these barriers lie with the fact that any point of departure for a common German-French strategic destiny cannot be reconciled with the doctrinal commitments to an absolute autonomy in foreign and defense policies that prevail in Paris. The power to decide to employ nuclear weapons or to attack with conventional troops in the event of a conflict lies with the president alone. Where, when and with which nuclear or conventional means France would intervene in what was happening is withheld from any guarantee, despite all pronouncements of solidarity, such as recently by Hernu. Thus, the uncertain or limited availability of French military power continually prevents it from being taken as a definite factor in Bonn's considerations.

Mitterrand, Fabius and Hernu have changed none of this. There is also complete understanding between Bonn and Paris of how little this can be a matter of replacing the American nuclear guarantee. One can only think in terms of a supplement. True, the projected considerable expansion of

France's nuclear arsenal indeed now increases the importance of France and the Federal Republic consulting and informing each other concerning the modalities of their use. But too many leading Frenchmen see the nuclear question almost exclusively as the primary significance of the currently existing joint security agreements. For Bonn, on the other hand, the problem is rather how to find support in Paris for the idea of being able to avoid dependence on quickly falling back on nuclear weapons in an emergency by strengthening conventional defense.

The nuclear predominance in France's plans and budgets points in an entirely different direction from Bonn's preference for consideration of a conventional defense. German interest is concentrated on being precisely certain of French participation in a conventional front-line defense. This cannot, of course, involve a strategy that operates outside of NATO, but it is still clear that French troops will only defend the security of their own country at the Elbe, not at the Rhein. And in this perspective, the question of the expansion of the French "sanctuary" into the territory of their German neighbor assumes primary importance. The French parties, however, resort too much to soothing declarations of intentions concerning nuclear weapons, even though it is precisely in this matter that the official world in Paris has been the most immovable since the times of Charles de Gaulle.

12507

CSO: 3620/445

MILITARY...

FEDERAL REPUBLIC OF GERMANY

MLRS TO BRING HIGH VERSATILITY TO DIVISION LEVEL ARTILLERY

Bonn BUNDESWEHR AKTUELL in German 10 Jul 85 p 2

[Text] Bonn--At the end of June, the Budget and Defense Committee of the German Bundestag noted with approval the intention of the defense ministry to procure the MLRS (multiple launch rocket system). Thus the funds provided for in the budget are released for the preparation of the series production. CDU deputy Bernd Wilz, the competent spokesman in the defense committee, emphasized that with the introduction of 200 MLRS weapons systems the nuclear threshold will be further raised and the dependence on nuclear delivery systems reduced. At the same time, the conventional defense capability of the Bundeswehr and of NATO in general will be improved and the tenfold superiority of the Warsaw Pact artillery counteracted.

The MLRS that was jointly developed by Great Britain, France, Italy and the FRG and is now being introduced in the U.S. armed forces is a multiple rocket launcher mounted on a tracked vehicle for counterbattery fire and for engagement of enemy armored secondary echelons beyond the effective range of the army weapons thus far available.

Three types of ammunition are required to fulfill these missions:

--For counterbattery fire a bomblet rocket was developed. With this new technology it is possible to neutralize in points of main effort the numerically greatly superior Warsaw Pact artillery (up to 10 : 1). This prevents especially that one's own antitank defense is destroyed by massive artillery fire.

--For remote delivery of mine fields, the antitank mining rocket (AT 2/MARS) is being introduced. With it enemy combat troops can be interdicted before they meet one's own forces. Thus the latter remain available for combat.

--Still under development is an artillery rocket with terminally guided submunition. With it armored secondary echelons on the move are to be engaged.

Modern rocket launchers achieve the fire and interdiction effect intended for them only if reconnaissance, target acquisition and fire control is assured without significant delay, in other words in "real time." For this purpose the ARES (artillery rocket operational system) fire control system, the CL 289 reconnaissance drone and the 85 sound-ranging system have been developed which are to be supplied together with MLRS starting in 1988 if the procurement decisions going beyond the basic system are being made as planned. Procurement of an effective gun locating radar and a small missile for target acquisition (KZO), both as a prerequisite for effective use of the terminally guided rocket ammunition to be introduced later on, are also in the planning stage.

There is nothing to prevent a government agreement among the FRG, Great Britain, France and Italy to start production following the decision of the Bundestag committees, whereby the uniform design offers favorable conditions for common logistics. A corresponding agreement for an international logistic chain and common repair, operated by the NATO Maintenance and Supply Agency (NAMS), has been signed in the meantime. It has the character of a model for later projects and underscores the degree of the successful standardization, especially because the Americans for the first time dispensed with logistics of their own.

The German economic interests in the joint production are maintained with a share of over 50 percent. At least nine firms in the FRG share in the construction of the rocket launcher.

Two batteries each (each with 8 launchers) in the rocket artillery battalions of the divisions are equipped with MLRS. With the new system, the force gains the capability to provide quick-reaction maximum fire concentrations and to deliver it depending on type of ammunition within a very short time over a distance of more than 40 kilometers. Thus the started procurement goes considerably beyond a simple increase in conventional firepower in its importance. It signifies a considerable qualitative leap for combined arms combat.

12356

CSO: 3620/470

MILITARY

FEDERAL REPUBLIC OF GERMANY

~~RESERVE MOBILIZATION EXERCISE REDUCES TRAINING TEDIUM~~

Bonn BUNDESWEHR in German 17 Jul 85 p 4

[Text] Bovigny--The Bovigny main material depot in Belgium recently proved that a mobilization exercise can also be varied and interesting for all participants, but especially for the called-up reservists.

Guided by the principle of "Above all, no makework," the reservists of the depot were called up--provided with a set of clothing, picked up, welcomed and "made feel at home." And then they were off. First, to start with the officers and NCOs, in a purposeful, strict methodical training were provided with the necessary knowledge of weapons, firing and combat training to enable them to be of real assistance as instructors and leaders to the rank and file in the main training course. With the appearance of the rank and file contingent in the main training course, a service operation started that was pretty tough. About 10 to 11 hours of service every day. Starting with setting up exercises, instruction, practical training and familiarization on the equipment. Of course, social service and welfare were also not neglected. The called-up reservist cooks did their best.

The additional high points were the stay in the training area in Camp Elsenborn, where field training exercises with machine guns and G3 were fired and the 24-hour field training exercise "Summer Wind," in which leaders and led were exposed to hard demands and had to prove that they were able to carry out a security mission. The Belgian soldiers of the Third Ardenne Motorized Infantry from Vielsalm "lent out" as enemy simulation made life rather difficult for them.

12356

CSO: 3620/470

MILITARY

NETHERLANDS

BUDGET CONSTRAINTS TO FORCE NAVAL CUTBACKS

Rotterdam NRC HANDELSBLAD in Dutch 15 Aug 85 p 2

[Article by Pieter Maessen: "Sale of Ships Symptomatic of Problems of Navy; Cost Increase of Walrus Submarines may Lead to Less M-frigates"]

[Text] The Hague, 15 Aug--The Walrus affair, which compromised the Royal Navy one year ago, is now having its repercussions. Due to the fact that in the early eighties the cost increase in the construction of the Walrus submarines was not reported at the highest level, now a painful adjustment must be made in the multi-year plans.

The navy, which now has to sell frigates of the Van Speyk class in order to make ends meet, still has to face the music. A thorough investigation is taking place at Materiel Management of the navy as to what went wrong in the Walrus affair. In September there will also be a report on the Walrus by the public audit office.

The navy has to cut back over a billion guilders of the 24 billion it has available through 1993. That is rather difficult because that gigantic amount has been almost entirely reserved for wages and for maintaining and renewing ships and other materiel. The threatening overdraft is due not only to the Walrus, but also to higher personnel taxes, greater obligations to NATO, an incomplete reimbursement for price increases, and the badly disappointing yield of the depreciated materiel which turns out to be unsaleable for the most part.

It is even possible that the multi-year plan as recorded in the 1984 Defense Note must still be curbed further. The note started out from a 3 percent growth of the defense budget from 1986, but the CDA [Christian Democratic Appeal] in its draft election program starts out from only 2 percent. Moreover, the very expensive high-technology weapons of the army and air force will probably rely heavily on the means. State Secretary Van Houwelingen (for Defense, materiel) tries to pressure his party, the CDA, to set aside more money for defense. The CDA has a skilled minister in him. However, he threatens not to become a candidate again. CDA Minister De Ruiters [Defense] brags a little less, but after a probable decision in favor of placing cruise missiles, he is no longer too interested in a second term in Defense.

What do you think about 1.2 billion guilders? Not by cutting down on practices or ammunition, but through some interventions in the size of the navy. On that, the navy leadership and the political heads in the department agree.

Minesweepers

The defense note, on careful reading, shows where there is latitude in the plans. One can renounce two patrol airplanes, a few helicopters, and the new supply ship and, moreover, the number of new minesweepers of the Dokkum class has not been established yet. Buyers are already being sought for four of the six frigates of the Van Speyk class, which will be taken out of service as rapidly as possible. That is not easy, for the sale can only take place if the country concerned has a peaceful reputation, is satisfied with second-hand ships and will definitely pay. Yesterday it became known that expensive repairs must be carried out on the engine part of two of these frigates. In the meantime contacts have been made with Indonesia.

Together, these possibilities might perhaps furnish about half of the 1.2 billion in cuts. Large amounts might be found by renouncing four of the M-frigates or two of the Walrus class submarines which still have to be ordered. However, the economic interest for the De Schelde and RDM [Rotterdamse Droogdok Maatschappij] shipyards in building those is very great, and it was precisely this interest which was the cause of the hurried ordering of the Walrus boats with excess costs as a result. State Secretary Van Houwelingen pointed out to the Chamber that the size of those excesses is limited, amongst other reasons because not two, but ultimately 6 ships are planned, and thus the costs of development are spread out. In that light it is not logical to renounce the Walrus class submarines. The same reasoning applies to the M-frigates, of which the navy has ordered four and taken an option on four.

Hence Defense is considering taking two of the ten standard frigates (the Kortenaer class) out of service and selling them. These ships are still modern, and a good price can be asked for them. All these decisions require consultation with NATO because the navy operates primarily in the NATO context. The weakening of the escort possibilities on the Atlantic Ocean and of combating submarines naturally is not welcome in Brussels.

The relation between Secretary of State Van Houwelingen and the navy leadership is not improving through all of this. Already on several occasions Van Houwelingen has made decisions on acquisition of materiel which the navy would have preferred done differently. The secretary of state gives preference, however, to the expansion of the cooperation between European countries, and American arms manufacturers sometimes become the victim.

The elimination of items in the plans is made somewhat easier because, due to the Walrus affair, the political leadership of the department has in advance replaced the top officials of the navy. The new commander of the marine forces and chief of the navy staff, Vice Admiral Brainich von Brainich-Felth, was hired, as it were, to carry out these changes.

The scrutinizing of Materiel Management by the McKinsey management consultant bureau and by Deputy Secretary General W. Drees meanwhile is proceeding very tediously. The bureaucracy in the central organization of the Department of Defense obviously is even greater than was feared. Part of the investigation should already have been completed, but it was not done. The navy can find consolation in the knowledge that not it alone, but also other directorates of the department of defense will have to answer questions on efficiency, cost control and combat readiness.

8700

CSO: 3614/123

MILITARY

NETHERLANDS

BRIEFS

NEW COMBAT UNIFORM--The Hague, August 8--The defence ministry has set aside 690 million guilders of its 1985-1994 budget to modernise the army's outdated battledress and other personal gear, Defence State Secretary Jan van Houwelingen told the second chamber yesterday. The new equipment due to be tested as from next month would put the Dutch army well ahead of its western allies when introduced from 1988 to 1992, the defence ministry said. The current personal standard issue (PSI) which includes items such as gas-mask, tent and pocket knife dates from shortly after the second world war and offers insufficient resistance to bad weather and battle conditions such as heat radiation, flames and shrapnel, Van Houwelingen said. The defence state secretary described the new fibres used in the clothing as 'revolutionary' as they were almost incapable of catching fire, while the styles ensured maximum room for movement. Van Houwelingen said it was hoped mass production would be started by the end of the 1980's, adding that Dutch industry was involved as far as possible in manufacturing the new issue. [Text] [The Hague ANP NEWS BULLETIN in English 9 Aug 85 p 4]

CSO: 3600/28

MILITARY

NORWAY

CONSERVATIVE DAILY PONDERES LABOR PARTY SECURITY POLICY

PM231619 Oslo AFTENPOSTEN in Norwegian 17 Aug 85 p 3

[Unattributed article: "Where Does the Labor Party Stand on Security Policy?"]

[Text] "Where does the Labor Party stand on foreign and security policy?" The question is justified in the light of the party's total reluctance to follow up NATO's two-track decision on medium-range missiles on European soil. It is not only members of the Conservative Party and the Socialist Left Party who have doubts about the answer.

It would be wrong to say that foreign and security policy has set its stamp on the election campaign so far. It is true that Labor Party Youth Organization Chairman Jens Stoltenberg advocated making security policy one of the main issues in this year's election campaign. But Stoltenberg's move was resolutely rejected by [party leader] Gro Harlem Brundtland when she began her own election campaign with an attempt at a warm-up speech at the youth organization's summer camp on Utoya.

She knew very well what she was doing. All experience indicates that the Labor Party loses elections in which security policy and consequently our relationship to NATO are made into a major issue. But it will not be possible even for Mrs Brundtland to get through the election campaign without making an attempt to answer the question whether party Deputy Chairman Einar Forde's promise of "close combat within NATO" will form the basis for the party's security policy in a position of responsibility.

It is clear that there is a difference between what the Americans like to call "out-of-office socialists" and Social Democrats with government responsibility. The Labor Party has gone a long way toward neutralizing the antinuclear movement and the NATO opponents in its own ranks and in the Socialist Left Party. [Socialist Left Party leader] Hanna Kvanmo also finds herself going along with the Pentagon's analysts when she states that the Labor Party, despite its shift to the Left in opposition, will find its way back to its "loyal-to-NATO" stance in government.

According to Prime Minister Kare Willoch, this is an optimistic description which has no basis in fact. Consequently he is fond of pointing out

that the only reasonable course is to assess the party's security policy on the basis of what has actually been done, and not on the basis of expectations of what might possibly be done after the election.

Under Secretary of State Arne Skauge followed this up this week at a briefing for Nordic correspondents in Oslo. Skauge said, with reference to the fact that in the Storting the Labor Party "has exploited all security issues to make it difficult for the government to respect its NATO commitments:" "We would like cooperation with the Labor Party on security policy. But then the party would have to demonstrate responsibility. That is something which the Labor Party has not done," Skauge said.

The fact that opposition leaders are hesitant about entering into the debate to which Skauge has invited them is connected with the fact that they know that such a debate would make plain the divisions within their own ranks. At the party congress in the spring they succeeded in sweeping the divisions under the carpet. There was, for example, no debate about whether U.S. warships docking in Norwegian harbors should be asked whether they are carrying nuclear arms. There was sufficient loyalty that a resolution recommending following in New Zealand's footsteps was not even put forward.

But this has not prevented Labor Party representatives, in close cooperation with their Socialist Left Party colleagues, in one local council after another from deciding to ban allied ships unless there is a guarantee that they are not bringing with them nuclear arms. If a Storting majority were to approve a similar proposal it would in reality mean that Norway would be announcing its withdrawal from NATO's joint defenses. For it goes without saying that part of the alliance's strategy of nuclear deterrence--something which the Labor Party is not attacking--is that the alliance refuses to give information about which units are equipped with nuclear arms.

The Labor Party leadership has made it clear that there can be no suggestion of following New Zealand's example. But the pressure from the Socialist Left Party, which has made the question of such guarantees into a major issue, will have to lead to an internal showdown in the Labor Party too. As far as security policy is concerned the party finds itself between the devil and the deep blue sea.

The desertion of the NATO two-track decision, which the Nordli and Harlem Brundtland governments were involved in shaping, makes it difficult to say what is the devil and what is the deep blue sea. But on the one side there is the Conservative Party, which is clearly tired of bearing alone the strains of opposing the peace movement's sparsely simple slogans. And on the other side there is a Socialist People's Party which has largely been neutralized in security policy respects and which is plaintively asking the Labor Party to face up to the consequences of the security policy which the party has pursued in opposition.

Some 3 weeks before the election it seems clear that we will have to have, if not a security policy showdown, then at least a security policy clarification before the election. Skauge has thrown down the gauntlet. If the Labor Party does not take it up, this too will be a sort of clarification.

MILITARY

SWEDEN

DEFENSE STAFF CENSURES OFFICER'S COMMENTS ON 'SOVIET' SUBS

Stockholm DAGENS NYHETER in Swedish 23 Jul 85 p 6

[Article by Bengt Falkkloo]

[Text] It is the Defense Staff's view that the commanding general of Upper Norrland, Lt Gen Bengt Gustafsson, must not comment in any way on Russian submarines in Swedish waters.

Since his comments may be construed as being backed by the the entire military command, Gustafsson's statements over the weekend are now being contradicted.

Gustafsson had said during an interview with the TT [PRESS WIRE SERVICE, INC.] that he knew why the Soviet Union was continuing to send its submarines into Swedish territorial waters.

After the interview, Bengt Gustafsson toned down his statements concerning the intrusions but did not deny them.

On Monday afternoon, therefore, the Defense Staff felt that it was time to issue an explanatory statement:

"Since the incident in Hars Bay in the fall of 1982, it has not been possible in any instance to point to any particular nation as the culprit in connection with reported observations of foreign underwater activity."

Jan Tuninger of the Defense Staff says: "This is being published as a direct result of Gustafsson's statements in the interview.

"If his statements are allowed to stand as they are, they may be interpreted abroad as indicating that the entire military command stands behind what the commander in Upper Norrland says about submarine intrusions."

Gustafsson was also singled out during and after the interview as being the successor to the current supreme commander of the Armed Forces, Lennart Ljung, and that might also be misconstrued by other countries.

11798

CSO: 3650/300

ECONOMIC

BELGIUM

DEPUTY PRIME MINISTER GOL REPENTS

Amsterdam ELSEVIERS WEEKBLAD in Flemish 27 Jul 85 p 10

[Article by Jan Schils: "Delayed Repentance By Deputy Prime Minister Gol"]

[Text] Belgian Deputy Prime Minister Gol revealed himself as "the conscience of the nation" and forced a crisis, which in the end resulted in a lame-duck cabinet and early elections. However, there are some question marks surrounding the sincerity of Gol's motives. Some are trying to distance themselves from the disastrous leadership of the Martens cabinet.

The Belgian Government has completed a week of unbelievable blunders, and parliament was downgraded to being a group of yes-men without any backbone, as ministers and party leaders of the majority parties tried to white-wash the whole matter. The "Heizel debate" which, in the meantime, has become notorious, may seem to be the cause for the near collapse of Martens Roman Catholic blue-collar worker cabinet, but for the government parties there are also other reasons for the cabinet's premature demise.

More and more there is doubt in Belgium about the sincerity of liberal PRL Walloon Deputy Prime Minister Jean Gol's motives for standing in his sudden resignation, which almost provoked a genuine cabinet crisis.

After the 29 May football match drama in Brussels' Heizel Stadium where 38 people were killed as a result of a charge by British football fans shortly before Juventus played Liverpool in the Euro-Cup Final, a special inquiry commission, noting the failure by the police (in this case, the State police) to act, charged Minister of Internal Affairs Baron Charles-Ferdinand Nothomb with being remiss in carrying out his primary responsibility. Nothomb is a Walloon Christian Democrat (PSC) [Christian Social Party] and, although his party together with Gol's Walloon liberals forms the Walloon section of the Martens government, the relationship between the two men and the two parties has never been good. Moreover, with parliamentary elections in sight for this fall, that relationship continued to deteriorate.

Severe Pressure

Nothomb was under severe pressure to draw political conclusions from that failure, but the government parties decided unanimously to sweep the findings

of the special parliamentary commission under the rug, and to vote for the Martens government in parliament on a motion of confidence. Faced by a storm of national and international criticism, Deputy Prime Minister Gol, who had earlier sanctioned the aforementioned course of action, repented and wrote a letter with a lot of beautiful words to Prime Minister Martens. In this letter Gol argued that the State and the government had inflicted great damage upon themselves by refusing to accept their responsibilities. Gol said that he had continuously hoped that the Martens government would restore the people's trust in the government and their belief in a strong administration.

Thereupon the Walloon liberal ministers, in solidarity with their deputy prime minister, also resigned, leaving Prime Minister Martens with no option but to submit his cabinet's resignation to King Baudouin. But the King refused to accept the cabinet's resignation. A crisis would have meant elections during the month of August and that would have enraged the Belgians who don't think highly of gentlemen-politicians anyway, and who in the people's eyes still carry the title "profiteur." In discussions with the King, Martens agreed to stay on until the parliamentary elections of 13 October which initially had been scheduled for 8 December.

A week after the Heizel debate in parliament no one in Belgium believes that this drama is the root cause of political difficulties in Belgium. Relationships within the government itself were already strained even before this debate, and the closer the elections get the less the improvement in the atmosphere. Except for the question of what has to be done after the parliamentary elections, voter opinion on the socio-economic policy of the Roman Catholic blue-collar worker cabinet seems to be much more influential on the attitude of the various coalition partners. The Martens government from the beginning has chosen to avoid an overindulgence in traditional Flemish-Walloon conflicts and to concentrate instead on a socio-economic recovery policy. To do that it even side-stepped regular parliamentary procedures and, by using special measures, instituted a forceful policy of government cuts and a wage-freeze without the knowledge of parliament (no increase in wages and no cost-of-living adjustments during 1983, 1984 and a large part of 1985).

In the fight against unemployment, the Martens government claims to have achieved important successes. Without this cabinet there would have been 90,000 more people unemployed, according to Minister Eyskens. This optimism is not entirely justified because Belgium recently dropped from the statistics persons 50 years of age and older who were looking for work, thus artificially lowering the unemployment figure. Moreover, there are various "absorption programs;" the unemployed who participate in these programs are considered not unemployed.

In the past 3 years purchasing power in Belgium has decreased at most by 6 percent, according to government sources. But independent sources and researchers working for the opposition parties speak of a decrease in purchasing power of 10 to 15 percent.

By deciding to devalue the Belgian franc by 8.5 percent when it first came to power, the government greatly stimulated Belgian exports. But the effect of the devaluation has now worn off and production costs (including wages) have gone up higher in Belgium as compared with its seven most important trading partners, (especially the Netherlands, Germany, and France), and Belgium for some months has been in the process of giving up whatever gains it had made. Moreover, Belgian currency, although stronger, is not quite out of the danger zone, certainly not in the long-term.

Deficit

The Martens government had sought to reduce the net state budget deficit to be financed to the European average of 7 percent of G.N.P. by 1986. That figure has by far not been reached. The Martens government will be lucky if the financed deficit can be reduced to 10 percent.

Government finances were always the biggest problem for this cabinet, and this remains so. The general condition of State finances in Belgium has worsened even when compared with the early days of the Martens government. Recently the Ministry of Finance in Brussels (an unexpected source indeed) announced that the Martens government since the beginning of May has had to borrow 25 billion Belgian francs (1,375 billion Dutch guilders) to meet its obligations.

Nevertheless, the government has approved a tax reduction for 1986 through 1988 on private income. This at the request of Flemish and Walloon liberals, so that they can splurge during the coming elections. But it has certainly not been decided yet how this multi-million operation is to be financed; and because of the totally poisoned atmosphere within the Martens cabinet, the Prime Minister has had to abandon his intention to have his government draw up a budget for 1986. For this reason the Socialist opposition is calling this tax reduction a swindle, because who can tell whether or not the next government will be able to realize this tax reduction.

The opposition's criticism seems valid when one takes a closer look at government finances. The parliamentary commission on finances candidly uses the terms "disastrous" and "irretrievable for years to come." The net balance to be financed this year is about 1.65 billion Dutch guilders higher than estimated. In the first half of this year the State debt rose by 26.15 billion Dutch guilders compared to 23.5 billion Dutch guilders in the first half of 1984. Moreover, next year State debts in tens of millions of Belgian francs will be registered on the 1986 budget (and thereafter also in the budgets for subsequent years), debts which the government has made in the past in order to aid or rescue the so-called "national sectors" from going under. One of these industrial sectors is the Walloon steel plant Cockerill-Sambre. Other big money-guzzlers are the coal mines in Belgian Limburg, the ship-building industry, the textile industry (which was literally saved from going under) and the glass-works.

The most telling figure in the free-fall taken by the Belgian Government's finances is, perhaps, that the total Belgian State debt during the Martens

government increased to approximately 5,000 billion Belgian francs or 227.7 billion Dutch guilders. In coming budget estimates, beginning with 1986, 900 billion Belgian francs or 50 billion Dutch guilders more will have to be added to pay for "past State debts," and we have not yet considered normal expenditures (and deficits).

Finish Line

It is no wonder that the Martens government prefers not to show up with such ominous figures before the parliamentary elections. For that reason alone it was perhaps tempting to some parties to end this cabinet as quickly as possible. In the end, a lame-duck cabinet solution has emerged which can barely carry out day-to-day business. A cabinet, just short of the finish line, still facing the threat of being toppled, while in September a decision has to be made about a Constitutional change aimed at giving more authority to the provinces.

Then it will not be Mr. Gol who is ready to trip Martens, but his own Christian supporters who are threatening a revolt. Martens' own Christian Peoples Party wants the change in the Constitution so that Flanders can take charge of education, but Nothomb's PSC is afraid that Catholic education in Wallonia will be put into an unfavorable position, because a decision has already been made that, after the elections, the Walloon socialists and liberals will be in charge of that [education] sector in the province. By toppling the cabinet, Nothomb and his supporters wish to prevent what they already call "an attack by Marxists and anti-clerics on free education."

That fear, however, is not unfounded because the Walloon socialists let it be known earlier that education in that province will have to come into the hands of the Walloon State.

13092

CSO: 3614/116

ECONOMIC

FEDERAL REPUBLIC OF GERMANY

SENIOR PRC OFFICIAL REVIEWS PRC-FRG TRADE, COOPERATION

Bonn VORWAERTS [Supplement CHINA '85] in German 20 Jul 85 p 11

[Article by Jia Shi, PRC vice minister for foreign economic relations and trade: "The Federal Republic of Germany--The Major Trading Partner in Europe"]

[Text] Satisfactory prospects and enormous potential for the further development of economic and trade relations between China and the Federal Republic of Germany.

The FRG is our country's major trading partner in Western Europe. The 1984 volume of trade between our two countries amounted to U.S.\$2.16 billion. Our exports to the FRG accounted for \$690 million, imports from the FRG for \$1.469 billion. We exported mainly canned food, textiles, chemical raw materials, clothing, pine rosin, honey, gut, angora wool, carpets, feathers, work gloves and works of art. Imports primarily involved steel, fertilizer, chemicals, machines and equipment, herbicides and pesticides, complete plant and technologies.

Various types of economic cooperation have evolved since our country adopted the policy of opening to the outside. . According to (incomplete) statistics, entrepreneurs of the two countries have already agreed on more than 400 projects of economic cooperation in the form of production cooperation, offsets, joint ventures, processing according to blueprints and using the materials of the customer, joint participation in international invitations to tender as well as leasing transactions. This cooperation produced, among others, ships' engines, computer controlled machine tools, beverage filling machines, cosmetics, passenger cars, color television receivers and heavy machine tools.

On the occasion of Federal Chancellor Dr Kohl's visit to China, the Shanghai Tractor and Automobile Company and the Volkswagenwerk AG signed a contract on establishing a joint venture for the production in Shanghai of Santana automobiles. At the moment this is the biggest joint venture of the two countries and bound to have a favorable effect on future cooperation in this sector.

Looking to the future, I am quite confident with regard to the development of economic and trade relations between the two countries, because conditions are highly satisfactory.

1. From the political aspect there are no problems of a historical nature between our countries. China and the FRG hold the same or similar opinions regarding various important international issues. The political conditions for the development of economic and trade relations are satisfactory.

2. The governments of our two countries agree that the expansion of trade and economic cooperation contributes to the preservation of international peace and stability, not only to the development of the two countries' economies. That is why the governments of the two countries assign great importance to bilateral economic and trade relations. They are also prepared to strive for the intensification of these relations. Some time ago, in accordance with the treaty between the People's Republic of China and the Federal Republic of Germany, the mixed committee convened for its fourth meeting in Bonn. At that meeting, the delegations of the two countries agreed new measures to encourage trade and economic cooperation.

3. The treaties and agreements already concluded by the two countries offer a reliable basis in international law for economic and trade relations between our two countries. In 1979, the governments signed the treaty on economic cooperation and thereby provided a favorable framework for economic cooperation. That treaty has been very important in the 5 years following its signature. In October 1983, the two countries concluded an investment protection agreement. The Bundestag recently ratified that agreement. Once it takes effect, it will favorably affect the establishment of joint ventures by enterprises from both countries. The governments of the two countries also concluded a treaty on maritime transportation, another one on cooperation in the peaceful utilization of nuclear energy, and a third one on cooperation in inland shipping. The trade treaty between China and the EC also represents the basis for trade between China and the FRG. The two countries are at present negotiating a treaty for avoiding double taxation. This treaty is extremely important for the economic cooperation of the two countries. We hope to sign it in the near future.

4. Our two countries have built up a dense network of economic cooperation. Under the auspices of the mixed committee established consonant with the treaty on economic cooperation, study groups on agriculture, coal mining and nonferrous metals have been set up one by one. It is the duty of these study groups to promote economic and technical cooperation between the respective industries of the two countries.

In recent years, economic partnerships between provinces in China and laender in the FRG have rapidly developed. Up to the present, the Chinese provinces Jiangxi, Liaoning, Anhui, Jiangsu, Shangdong and Shanxi have established economic partnerships with the federal laender Hesse, Baden-Wuerttemberg, Lower Saxony, Rhineland-Palatinate, North Rhine-Westphalia and Bavaria respectively. Reciprocal visits and the exchange of information between provinces and federal laender contribute to the deepening of mutual understanding and facilitate cooperation between medium-sized and small enterprises.

Since 1979, FRG industrial enterprises, commercial firms and banks have established more than 40 agencies in Beijing, Shanghai and Guangzhou. More than 10 Chinese foreign trade companies, transportation companies and construction enterprises, for their part, opened agencies in Hamburg, Duesseldorf, Cologne and Frankfurt. Early this year we set up our trade center for Western Europe in Hamburg. All these institutes serve the trade and economic cooperation of the two countries.

5. Our country's policy of opening to the outside represents an important prerequisite for the further development of economic and trade relations between our two countries. This policy is a basic government policy in our country. We will pursue it for a long time to come. For that reason we have already enacted several foreign trade laws and decrees. Preferential conditions have been provided for the investments of foreign business, whether for setting up joint ventures or their own enterprises in China, as well as for economic-technical cooperation and the expansion of foreign trade. We began by establishing four special economic zones and subsequently opened 14 coastal cities even wider to the outside. As a consequence economic-technical cooperation has been facilitated on a steadily larger market.

China has rich resources and an immense market. The FRG has available advanced technologies and great financial strength. The economies of the two countries complement one another very satisfactorily, and tremendous potential exists for the expansion of trade and economic cooperation. This is due to four factors:

1. Our country's economy is developing very well. Industry and agriculture are increasingly able to offer commodities for export. The quality of our export merchandise is steadily improving. At present our exports to the FRG amount to only 0.6 percent of total FRG imports. Provided both sides make an effort, the steady expansion of our exports to the FRG is indeed possible.

2. As our country's economy advances, the demand for foreign products and technologies is bound to grow. In the period of the Seventh Five-Year Plan we will construct several key projects and technically modernize many old factories. The technical standard of German industry is high, and the quality of German goods excellent. The FRG may well become one of the important suppliers of advanced equipment and technologies. The traditional imports of steel and chemicals will also increase. Of course there is much competition on the Chinese market. However, if the German economy were to improve its competitive edge, it would have a very good chance of winning in this competition.

3. We have made a good beginning with the establishment of joint ventures. Still, the total of joint ventures by our two countries is relatively small. It certainly does not correspond to the FRG's status in Chinese foreign trade. The investment climate in China is good. The strong rise in profits in the second financial year of the Tianjin Liming Cosmetics Industrial Company with limited liability presents a good example. We welcome foreign investment in China. Once German firms discard their reservations, we may well see a steady rise in investments by FRG companies in China.

4. Production cooperation is a good method for the industries in the two countries to complement each other. We have to import not only plants but also the equipment for their construction. In recent years the two countries concluded quite a lot of contracts on production cooperation. With respect to production cooperation, the conclusion of contracts represents the start of cooperation. The two contracting parties are able to cooperate in the long term on the basis of equality and mutual profit; they are also able to expand and renew the substance of cooperation.

5. Both our countries have a majority of medium-size and small enterprises. That is why cooperation between medium-size and small enterprises in the two countries is particularly important. In view of the fact that the financial and personnel potential of such enterprises is limited, they encounter even greater difficulty in finding cooperation partners and making the appropriate contacts than do the large firms. At the present time, the volume of cooperation between medium-size and small enterprises is not as large as would be desirable. If both sides adopt active measures to help medium-size and small enterprises to cope with the above mentioned difficulties, cooperation between medium-size and small firms will be most promising.

In summation, I would say that there are wide-ranging opportunities for economic cooperation between our two countries. Efforts by both sides will enable economic and trade cooperation to achieve even greater successes.

11698

CSO: 3620/486

FEDERAL REPUBLIC OF GERMANY

ALTERNATIVE PRODUCTION SOUGHT FOR 1987 LEOPARD 2 PHASE-OUT

Duesseldorf HANDELSBLATT in German 11 Jul 85 p 1

[Article by hs.: "Rheinmetall: What Comes After Leo 2?"]

[Text] Duesseldorf--"Great concern" will fall over the Rheinmetall Group when production of the Leopard 2 tank stops at the end of 1986 or beginning of 1987, especially since there still is no program in sight to succeed it. So, the management of the Berlin Rheinmetall Co is in search of compensation in the area of defense engineering business, which in 1984 still accounted for DM 981 million or 37 percent of the group's total turnover of DM 2.64 billion in 1984. This is all the more urgent because the consumer goods division WMF /Wuerttembergische Metallwaren-Fabrik/ (24 percent of the turnover) is currently suffering from stagnant sales and loss of profits.

Defense engineering is currently profiting from the new priorities set by the Defense Ministry. More practice ammunition is being ordered and reserves of battle ammunition for the troops are being increased. Rheinmetall invested a good bit in munitions development last year. But the share of in-house production of munitions is said to be less profitable because more must be purchased. At the end of 1984, Switzerland decided to have the smooth-bore cannon developed by Rheinmetall, and its ammunition, manufactured under license, and to have the first procurement in the Federal Republic. At the same time, the decision was made in the United States to start producing the first M1A1 "Abrams" tanks with the 120 mm cannon there in August 1985.

A while ago, Rheinmetall offered to refit the 5,000 Leo 1 combat tanks being used within NATO--half of the tanks belong to the Federal Republic's armed forces--with the smooth-bore 120 mm cannons. The Leo I tanks, as is well known, are all still equipped with the old 105 mm cannon. The complete weapon system would cost, however, about one half million DM per unit, not including electronics and installation. No decision has yet been made.

They have not been able to obtain any contracts from Third World countries in the past few years. This is because the "guidelines for munitions exports" of April 1982, to which the Kohl government feels itself bound, are still in effect and, in contrast to the former guidelines (no deliveries to areas of tension), they make munitions exports dependent on the "vital interests of the Federal Republic." It is unlikely that anything will change soon in Bonn's position on this matter.

ECONOMIC

ITALY

BARTER DEALS IN FOREIGN TRADE BECOMING POPULAR

Rome L'ESPRESSO in Italian 21 July 85 pp 132-133

[Article by Paola Pilati: "Goods for Goods"]

[Text] Barter must be accepted in order to stay in international markets. This means payment in petroleum, in bananas, in trips or in lumber. Now, Italy, too, is following the new trend.

Rome--Aeritalia has tried everything for the past year to sell its G 222's to Turkey. It even tried using U.S. political support. Nothing doing. The Turks stubbornly held to their terms for the purchase of those 50 planes: They wanted to pay for them in kind. And instead of \$500 million, the Aeritalia technicians were offered a long list of local goods including a rich package of tourist trips to Cappadocia. Only in that way will the G 222's be preferred over other aircrafts produced by competing industries. Was this a special demand made by Turkey? Not at all: now a large part of international trade is done through barter and anyone who wants to do business must accept it--at least for two reasons. The first is that traditional trade competition, conducted on the basis of price cutting, has become pitiless. It is difficult for Italian businesses to compete with the Koreans or Japanese who can count on very low costs of production. On the other hand--and this is the second argument--there is increasingly less money on international markets. For anyone who wants to export, accepting barter means to remain in competition even in the most debt-ridden countries.

That is what is happening in Iraq which in 1980 signed orders for Italian shipyards (IRI [Industrial Reconstruction Institute] Group) to build its war fleet (4 Wolf frigates and 6 corvettes) with a contract worth \$1.7 billion. But as our shipyards launched the corvettes and frigates destined to the Iraqis, the suspicion increased that they would not be able to pay for them considering the increasingly precarious financial situation in the country. And that is what promptly happened, and today instead of the very profitable payment for the order, the Iraqis offer a barter: their delegation arrived recently in Italy to conclude the deal with a large amount of petroleum.

And this is why recently barter, or better, "compensation" has recently enjoyed an unprecedented boom. The most incredible flow of goods crisscrosses between the most disparate countries: Ecuador gave the Soviet Union bananas

in exchange for Lada and Niva automobiles; Israel sold agricultural chemical products to Costa Rica in exchange for coffee; Sweden and Iran exchanged glass and paper for petroleum. And among the compensation contracts signed in 1985, the biggest coup was made by Brazil when it signed a 2 trillion lire agreement with Nigeria for Brazilian goods in exchange for Nigerian petroleum. Thus Brazil became the first exporting nation to the rich Nigerian market, ousting such countries as the United States, Germany, and Japan from their position as privileged partners.

Even during the years when international trade languished, compensation contracts rose markedly. According to a National Foreign Trade Council study, from 1979 to 1983 the number of countries entering into barter agreements rose from 27 to 88. It is difficult to say exactly how many trade transactions occur each year in this way instead of for payment in cash. More or less, it is calculated that barter represents between 20 and 30 percent of all international trade. In figures, it represents about \$700 billion out of the \$2.5 trillion in world exports.

And what about Italy? "The value of our compensation contracts does not exceed 6 trillion," is the estimate by Nicola Cacace, expert in international economic problems and member of the board of directors of the Italian Trading Service, the new trading company set up by the National Labor Bank. "That is to say that only five percent of our imports are through barter: we must pay for all the rest in hard cash."

So far in fact, the practice of compensation in our country has not been very successful: rather, more than an enlargement of trade possibilities, business considered compensation a harsh necessity. If at the beginning of the 1970's, the Fiat company accepted pork from the Chinese in payment for the first trucks sold on that market, things have not changed much today. In order to place the facilities of its companies in Albania, the IRI was obliged to take in payment one of the natural resources of the place, ferrochrome, together with a shipment of local handicraft items: wooden jewel boxes which, fortunately, it was able to resell to the candy industry as packaging for candy. The nations of the East or, in general, those under a state-controlled economy, insist on the most unusual barter agreements. In order to open his shop in Budapest, for example, Luciano Benetton had to agree to be paid in construction lumber, sweaters and shirts valued at about 2 billion [as published]. And anyone who wants to do business in the Cameroons must barter for cocoa and coffee.

These trade acrobatics are often necessary, such as the one forced on Dalmine when he supplied Hungary with pipes for an electric plant which that country in turn had to construct in India. In exchange for its pipes, Dalmine had to accept from Hungarians the steel products of the Italian Finsider, and since it could not bring them back to Italy, it had to sell them here and there in Third World countries.

At times, just to be able to sell their own installation, some companies had to commit themselves to accept products made abroad. This mechanism of compensation called "buy back" is a guarantee for the foreign purchaser of the plant, but often a considerable problem for the Italian builder.

Italmianti, for example, accepted Iranian steel in order to win the bid for construction of a steel plant worth \$500 million in Isfahan. Against a supply of textile machinery, China demanded that a large quantity of manufactured linen be acquired over a 5-year period. And Romania tried to flood us with bricks and tiles made in Italian furnaces, but luckily they did not succeed. But the product that is offered with increasing insistence is petroleum.

"When Libya told us that it would not be able to pay for the work we were doing to build the Sirte base," according to Cogefar Administrator Franco Nobili, "I proposed payment in petroleum. The deal was accepted immediately and the work was paid for with four petroleum tankers of oil that we then sold to Finland."

From that time, Qadhdhafi demanded to pay in petroleum and it was accepted even in settlement of other debts with Italian companies. Almost all other producing nations are behaving in the same way: according to latest estimates, as much as 15 percent of OPEC petroleum is now used in payment for compensation transactions. This road is being taken above all by those nations which, even though they are deeply in debt with foreign countries, do not want to renounce maintaining their domestic development on a high level.

This is the case of Nigeria which has decided to finance its consumption and its investments with petroleum. Thus, after the above-mentioned contract with Brazil, Nigeria is discussing something similar with Italy. ENI [National Hydrocarbons Agency] and Fiat are the leaders in a large petroleum compensation accord against Italian goods. If it succeeds, it will ensure for Fiat, ENI and a pool of other Italian businesses, a supply of \$400 million (about 800 billion lire) worth of Nigerian petroleum which will be withdrawn from AGIP [National Italian Oil Company].

6034
CSO: 3528/98

ECONOMIC

NETHERLANDS

RUDING ON 1986 BUDGET, DEFICIT, TAX REDUCTION

Amsterdam ELSEVIERS WEEKBLAD in Dutch 27 Jul 85 pp 8-9

[Article by Nico Van Grieken/Henk Schol]

[Text] Winter 1984-85. There is a severe frost. As more natural gas profits than expected are rolling into the treasury, economists and politicians are gathered around the hearth to set policy lines for economic policy in the coming few years.

The tone of these discussions is becoming clear. "Less stress on deficits, less belt tightening," wrote Prof. Rutten of Economic Affairs openly about this trend in the economics trade journal ESB [Economic-Statistical Reports].

Dr. H.O.C.R. [expansion unknown] Ruding waited 6 weeks to react to this in a lengthy article in NRC HANDELSBLAD. The Finance Minister once again issued a warning about the great dangers of continuously rising interest rates and debt burdens which result from high government deficits.

It is rumored that in March, Ruding, the top functionary at Finance, had presented a figure with 2 digits before the dot: which represented the cuts for 1986 considered necessary to reach the government's goal. That goal is a deficit in 1986 of not more than 7.5 percent of gross national income. The cabinet nibbled another billion Dutch guilders off the 9.2 billion in cuts which Ruding--after gauging political realities--had proposed at the so-called "April debate."

In May, a "left section" of his own party unexpectedly formulated a platform for the CDA [Christian Democratic Appeal]. It contained very modest cuts--not more than 11 billion Dutch guilders--for the coming year.

Ruding smelled danger. He used a speech before an organization of employers belonging to Christian Parties to point out to his own supporters once more, that at least 13 billion more Dutch guilders must be cut to avoid falling into a financial abyss.

While in The Hague one hears more and more often that Ruding has isolated himself politically, a major shift in course emerged from the cabinet's 1986 budget deliberations which took place at the beginning of this month. The government's "7.5 percent" goal was abandoned! The emphasis has shifted

towards maintaining purchasing power. Even a lowering of taxes--proposed by the VVD [People's Party for Freedom and Democracy]--is mentioned as a means.

The crucial question pushes itself to the fore: Where does Ruding stand? With elections in sight, has he lost his grip on the "economic clean-up game" which he always described as a bitter necessity; or has he also reversed himself?

A relaxed and self-assured Dr. Onno Ruding is ready on 16 July for his traditional "mid-summer interview" with EW (ELSEVIER'S SOCIAL-ECONOMIC WEEKLY). It is raining in The Hague, but there is not an ounce of gloom in his office. On the day before his vacation Ruding outlines the harsh framework of the 1986 budget memorandum. The last one of the Lubbers cabinet. Consequently the figures, the cuts that were achieved and those that weren't, the situation of government employees and of benefit recipients, purchasing power, but also the actions of "what is the name of our friend again?.... De Korte!"

EW: "Minister Ruding, are you satisfied so far with preparations for the 1986 National Budget?"

Ruding: "Yes, we managed to come up with an adjusted budget figure, in good order, before mid-July. Also as far as demands are concerned. There were many colleagues with wish lists. In and of themselves they were not all bad wishes. With regard to these wishes, the colleagues were told: 'That is not going to happen or, take it out of your own budget.' My conclusion is that with those spending restrictions we have come a good deal further on the long road towards improving our national expenditures situation. But a great deal still remains to be done. There are still unmanageable elements. It is not ideal."

"Of course, we don't have to talk about it, but in the years when the RSV [Rijn-Schelde Verolme-a shipyard] still existed it was a scandal. This Ministry of Finance said in those days that certain expenditures were too foolish for words, but the situation simply continued. I was the one who stopped the RSV. I remember it well. That was in January 1983. It was this Finance Minister who ended the RSV. Really, I said: 'Now it is finished. Simply finished.' It did not disappear all by itself."

Enormous

EW: "The budget adjustments for next year amount to 8.2 billion Dutch guilders. Should it not have been more?"

Ruding: "Well, I view 8.2 billion Dutch guilders positively, as a tremendous adjustment. Structurally, you can't keep that up until the year 2000. You shouldn't belittle 8.2 billion Dutch guilders."

EW: "You went before the cabinet with a higher demand."

Ruding: "Yes, but do you know why? I know that all kinds of heads will pop up: extra expenditures. We don't have control over expenditures sufficiently in hand yet. I admit that. In that case your last question might then be: 'Well, Ruding, should you not have sought more than those 8.2 billion Dutch guilders--given the rise in expenditures?' Then I would say: 'In theory, yes indeed. I would have preferred to take a larger step, but clearly everything cannot be done at once. There are limits to what is socially, politically, and sometimes technical-judicially attainable. As it is, we cut enough.'"

"By technical-judicial attainability I mean the endlessly long time it takes before a bill is entered into the statute-book. The State Council is known to take 5 months for making recommendations. In the end, you do get your funds, but most of the time you miss out on them during the year you want them.

Sealed Up

EW: "What will be left over from the 8.2 billion Dutch guilders when the Second Chamber soon begins general debate on it?"

Ruding: "That is another risk. We have sealed up the case quite well in the cabinet. Of course, I am present there myself. But in October, you get the Second Chamber. I can't say that nothing will happen there."

EW: "Just before elections, politicians want to score points. You too for that matter."

Ruding: "Yes, I am very busy doing that.... But when I hear the stern sound of Mr. Van Dijk in the CDA-faction, then it can't be--knowing him at least--that there will be a sudden shift in the wind. During the debate on the spring-memorandum he took a hard line. Moreover, Mr. De Vries (CDA-faction chairman -ed.) is very clear on the matter. He is also very worried about the government's finances. I can't imagine that that will change soon--you hinted at that possibility."

EW: "The drop in total expenditures is due to cost reductions in social security. And not to a reduction in national expenditures."

Ruding: "That is open to interpretation...! Of course, you are completely correct, but it doesn't mean anything. Social security expenditures had risen sharply. When you then notice a sharp decline.... Yes, of course, you bet. That is where it was."

EW: "From the figures known to us, it appears that the deficit next year will be roughly at the same level as this year. The savings from social security cuts have for the most part been channeled back to the pockets of the premium payers."

Ruding: "If integration of the WWV [Unemployment Benefit Law] and WW [Unemployment Law] had taken place at the agreed upon time--3 weeks ago--

that would have given me 1 billion Dutch guilders. With that, I could have lowered the deficit." (Ruding means by this remark that he has simply lost this amount until March 1986 - ed.)

Tears

EW: "Reducing the deficit has become more difficult."

Ruding: "A substantial reduction is hampered by four factors: increase of the interest burden by 2 billion Dutch guilders, the decline in natural gas profits by an estimated 2 billion Dutch guilders, the rebate problem which also comes to 2 billion Dutch guilders and the attack on the deficit through tax reduction, which is being favored. That last one to me is of a different nature, because taxes are income. I am battling to push back expenditures. I also stand in the front line when it comes to lowering taxes. They are unbelievably high in the Netherlands. I would really shed tears--figuratively--if expenditures rose and if a financial black hole were created."

EW: "Did you have to cry a lot this spring?"

Ruding: "No.... Why?"

EW: "In 1985 alone we went over the budget in expenditures by 5.5 billion Dutch guilders."

Ruding: "That is indeed an element of concern. That shows that control over government expenditures by far is not complete. That is a fact. I lecture to my colleagues and the Second Chamber about that. I also lecture to the industrial sector. In calculating the pluses and minuses in the government-industry relationship you never hear anything about the 1 billion Dutch guilders per year which the government pays in export credit insurance on losses. A short while ago I spoke to the employers once again."

EW: "What did they say in return?"

Ruding: "They didn't answer. So you know that you have scored."

EW: "How will you score in the public debate about tax reduction which was brought up by Chamber member of the VVD-party De Korte recently?"

Ruding: "As I said before, I am not opposed to lower taxes. Only, you must keep in mind, that we have done much more to lessen the pressure of taxes and premiums than in lowering the deficit."

EW: "Is tax reduction possible? Do you have money for that?"

Ruding: "The money is there. From WIR [Government Investment Account] and initially, for a temporary period, from the natural gas funds of DSM [Dutch State Mines]. That is completely realistic."

EW: "You are targeting the so-called incentive subsidies of WIR, the premium given to industries that invest but which suffer losses, aren't you?"

Ruding: "Indeed, we have made a decision in principle on that in the cabinet. You can be sure that that will be eliminated on 1 January 1986. The bill concerning this will be introduced on the day Parliament is opened. I need to add something here. Before we talk about spending the funds that result from that measure, I first want to be sure that the bill is accepted. And that all kinds of backdoors are not found through which to compensate pathetic figures hit by elimination of the subsidy. Because in that case, the net gain will be less."

EW: "You are prepared then to lower taxes with funds from the two sources which you just mentioned. That, while the government's goal--a deficit of 7.5 percent to which you could come very close--will not be met. That indeed is a gigantic policy shift."

Ruding: "Ho, ho."

EW: "You could really hit hard in the deficit area, but what happens? Prime Minister Lubbers declares that the deficit next year in any case has to begin with the number 7. Experience in politics teaches us that the figure in reality becomes 7.9."

Ruding: "That is not at all certain. There are two clear conditions as far as the deficit is concerned. The one is to express it in down-to-earth terms, that the deficit begins with a 7. And thus ends up at a figure under 8. The second condition has apparently not sunk in sufficiently. That one states that the deficit in 1986 must be lower than this year's deficit. The estimate is now 8 percent for 1985. But let's say that the deficit comes down to 7.8, then it has to be lower in 1986."

EW: "So you are sharpening Prime Minister Lubbers' pronouncement. Recently, he said at a press conference that in any case the deficit would not be allowed to rise next year."

Ruding: "Sharpening? I am reflecting what was decided in the cabinet. That is my role."

Alternatives

EW: "What then exactly has been decided?"

Ruding: "The question of how to spend that 1.5 billion Dutch guilders is still completely open. We have asked the Central Planning Bureau to make estimates on two alternatives. The first one is: What happens when that 1.5 billion is used entirely to lower taxes on earnings and incomes? The second is: What happens when you use half for tax reduction and half on deficit reduction? I am very curious to find out what will happen with the social premiums next year. It is very possible that they will come down."

That is favorable for the purchasing power picture. In that case less tax reduction is necessary. Many have missed that train of thought."

"I am looking at the premiums first of all so that we won't have to reduce the purchasing power of government employees and benefit-recipients by freezing their income. Not until that is entirely taken care of will tax reduction come into play."

EW: "Is there room for lowering taxes? That is strange, because a few weeks ago, during the debate on the spring-memorandum, you were still against it."

Ruding: "Where is that written? You didn't get that from the official parliamentary reports. To De Korte, who came up with such proposals, I said: 'Our paths will cross.'"

EW: "Literally, you said that the two previously named sources, which De Korte unexpectedly presented, could be used for another, equally useful purpose having an even higher priority, namely, the government-agreed goal on the 1986 deficit."

Ruding: "We have this higher priority. I get the first slice of the ginger bread. The remainder can be spent for the other purpose. When I said 'crossing each other's paths,' I indicated that there is a good possibility for a compromise. What's our friend's name again...De Korte,--understood that quite well when it was said."

EW: "Some of your own party members are troubled by the combination of freezing benefits and lowering taxes. One of them even told us that he now wants to join the opposition. He intends to kill the government coalition."

Ruding: "This political consideration is important to me also. Complaints coming from the PvdA are something different and would give me no problem. I would be as hard as nails and open fire on them. I would have a ready answer in contrast to that wishy-washy fellow of yours. Which answer? That, I won't tell you."

EW: "So, the criticism that you are taking cuts away from one group and channeling them, for instance, to the middle class in the form of tax reductions doesn't bother you?"

Ruding: "That kind of reasoning is nonsense. The funds for a possible tax reduction would come out of the WIR."

EW: "That is, in essence, a soak the rich policy."

Ruding: "Not to me it isn't. Nonsense. The problem is that social security in the Netherlands can no longer be financed. At the same time, taxes are too high. These two real problems must both be addressed. The trick is to do it in as balanced a way as possible. In the end don't benefit-recipients and government employees also profit by a possible tax reduction?"

EW: "You can maintain the purchasing power of government employees and benefit-recipients only by reducing the deficit at a slower pace than is now possible. You are already satisfied with a reduction of 0.2 percent: 750 million Dutch guilders, which is half of that 1.5 billion. That takes the cake."

Ruding: "If you look back over all those years, what difference is there then between the 7.4 and 7.5 percent on the one hand, and the likely result? The difference is not that terribly big."

EW: "That's the point. Can that difference not be bridged?"

Ruding: "We won't know until August. It is possible that the deficit could be lower than the current estimate of 8 percent, isn't that so?"

EW: "In your 1985 Budget Memorandum, on page 42, it says: 'It has to be assumed that economic growth will be proportionate to the seriousness with which deficit reduction is handled.' Does that sentence still hold?"

Ruding: "I am sticking to the target figure set by the government."

EW: "A further reduction in the deficit, in that case, is very doubtful. Especially because of the continuing rise of the interest burden."

Ruding: "I worry a lot about that. Because of the escalating interest burden, expenditures for useful purposes are being shoved aside. Education, development aid. If you don't want that to happen, you will have to raise taxes."

Field of Forces

EW: "Don't you think it remarkable that the VVD, in this very situation, is asking for a tax reduction for the middle class?"

Ruding: "You should pose that question openly to Mr. De Korte. The VVD has made a big issue out of it, has it not? Substantively, I can understand the VVD-line, but I believe, nevertheless, that the VVD has obviously shifted its priorities. Have you thought of my position as Minister of Finance? I am not hiding my light under a bushel, but I do have to take into account the political realities of the situation."

EW: "What do you think of a coalition partner like that who, until now, was always in the forefront on cuts?"

Ruding: "Well, that is a shift in priorities. I won't use your expression 'policy shift' here. If Mr. De Korte does not want to put that 1.5 billion toward deficit reduction but instead wants to put it toward tax reduction for the middle class, then I will hold the VVD clearly responsible for this. Not in a reproachful manner, I am only stating facts."

"I also want middle income people to be spared from taxes. But there is no room for that. I would like it, but I don't have the funds for it."

The effect would be failure to meet the cabinet's desire to maintain the purchasing power of government employees and benefit-recipients. That can't be done politically."

EW: "Don't you run the risk of the CDA being accused by its coalition partner of paying insufficient attention to the middle class? With both parties fishing in the same pond, would that not turn into a jolly good fishing party?"

Ruding: "You should not forget that this was a cabinet decision. As you know, VVD Ministers are seated in the cabinet as well. Besides, the middle class will benefit from an eventual tax reduction. If the VVD, on top of that, still wants to do something more for the middle class, for which there are no funds, then they will be undermining their own credibility as far as the deficit is concerned, will they not? I want to see if they will go that far."

EW: "A tax reduction for middle income people will inevitably have an unbalancing effect. It seems that that is what the VVD is after."

Ruding: "Naturally, not one more penny can be shifted from the minimum to one-and-one-half mode. Every sensible person in the Netherlands knows that. Therefore, I believe that only a slight balancing is desirable."

EW: "A general tax reduction has an unbalancing effect."

Ruding: "That depends on how you fill the gap. You can still shift around the premium and tax reductions. Mind you: Not only the highest income earners, but also low income people in the Netherlands pay too much tax."

EW: "Are you pinpointing the fact that a minimum wage earner pays 50 cents in premiums and taxes on every extra guilder he makes?"

Ruding: "Yes. That is indeed insane! So, when I plead for reduction in taxes, I am not only talking about the high income earners; low income earners realize that they also must bleed for collective expenditures that are too high. And then something else. There was no maintenance of purchasing power planned for in the cabinet agreement. But we will still achieve this, at least, if things work out. Once again, I would be very unhappy if our whole budgetary discretion funds were to be given away in the form of tax reduction."

Misconception

EW: "A couple of times this year you lashed out severely against people who seemed to be playing fast and loose with the deficit reduction. Has that had results? We ask the question, because Prime Minister Lubbers a short time ago proposed a stabilization in the State's interest burden. In that case a reduction of less than the 24 billion Dutch guilders which you proposed for the period 1986-90 would be needed."

Ruding: "Stabilizing the interest burden is, of course, better than a rise. But if the impression is created that stabilization itself is a noble goal, then that would be a complete misconception. Stabilization is perilous at the current level which is far too high, let alone when it reaches the 1989 level. You need to take appropriate measures now so that (in 1989) the interest burden will begin to decrease. That is why viewing stabilization as a norm is misleading." (The interest burden on the State debt presently amounts to 20 billion Dutch guilders and will increase to 31 billion Dutch guilders in 1989, according to the latest estimates in the spring memorandum. Thus, in 1989 Ruding wants to be on the level of 1985 - ed.)

EW: "A collision with your own party, the CDA, which wants a reduction of not more than 11 billion Dutch guilders during the next cabinet period is still not out of the question?"

Ruding: "I warned them. 'If those figures don't change,' I said, 'then for a very long time you will be burdened with the sins of the past. Naturally, in CDA-circles, that makes a deep impression. But, in fact, it is only a difference in nuance.'"

EW: "A difference in nuance of 13 billion Dutch guilders."

Ruding: "That remains to be seen in the fall. I'm not talking about that now. I am limiting myself to the policy for 1986."

EW: "Also the year during which the WIR is to get the axe?"

Ruding: "Whether or not the WIR has to be abolished, and what will take its place, is a prime question for the next government policy accord."

EW: "But does the WIR actually have to be done away with?"

Ruding: "If we were to start from scratch, we would have to go back to 'Go,' that is, back to investment (tax) deductions plus accelerated depreciation. In the past, those were simple measures also as far as execution and control were concerned. In all employer circles, as a matter of fact, I hear that they view the WIR as a very peculiar measure. The incentive subsidy is the most peculiar. That part amounts to 1.5 billion Dutch guilders. That can be thrown out as far as I'm concerned. Without making any compensation. I don't think that nowadays it is realistic structurally to have some 5 to 6 billion Dutch guilders going into industry via that WIR, while there is such a large budget deficit. I'm sorry to say so, but I think that is too much."

Attainable

He could hardly have been more self-assured. Ruding got up and walked in the direction of his desk. On the way he said: "I remember the press conference on my first Budget Memorandum quite well. I'll never forget that." He sat down again, lit a pipe and made furious attempts to keep

the pipe lit. "September 1983. Do you remember? I was almost laughed at by all those know-it-alls who knew perfectly what was going to happen. The question was, 'Do you really believe that we will come within the neighborhood of 7.5 percent in 1986?' Yes! I said then. That is attainable."

EW: "You spoke then about a deficit of 7.5 percent for the whole government. The State's budget deficit had to go down to 5.7 percent."

Ruding: "We are now talking about the whole government. We are close to it. That's the only thing I want to say about it."

13092
CSO: 3614/116

ECONOMIC

NETHERLANDS

HUNDRED MILLION GUILDER LOAN TO ARUBA

De Koning Announces Loan

The Hague ANP NEWS BULLETIN in English 14 Aug 85 pp 6-7

[Text]

Oranjestad / Willemstad, August 13 - The Netherlands will issue a 100 million guilder soft loan to Aruba over the next two years, to balance the island's budget deficit, Dutch Antillean Affairs Minister Jan de Koning said in Oranjestad today.

De Koning told a press conference the 30-year, 2.5 per cent loan would assist the Caribbean island to balance its budget by 1988, as advised by the International Monetary Fund (IMF) earlier this year.

Aruba, due to secede from the Netherlands Antilles on January 1 1986, is facing mass unemployment and major economic problems due to the closure of Exxon's oil refinery on the island in March.

The IMF proposed a programme of stringent cut-backs, which will cut living standards by 30 per cent, to resolve Aruba's economic difficulties.

De Koning, currently on a ten-day working visit to the Antilles, said island governors had taken the right road towards tackling the crisis.

The minister declined to say how the loan would be financed.

Dutch financial experts would assist the island governors with advice on the programme of cuts, he said.

Shell Refinery

Curacao, the main island in the self-governing Dutch colony, is facing the threat of similar problems through the shut-down of the Royal Dutch/Shell refinery there.

Venezuela had proposed a joint takeover of the loss-making refinery with the Dutch and Antillean governments in order to keep it in operation.

Dutch and Antillean delegations from to Caracas from Willemstad yesterday to discuss the plans.

Financing of Loan

The Hague ANP NEWS BULLETIN in English 15 Aug 85 p 3

[Text]

The Hague, August 14 - A 100-million-guilder soft-term loan promised by the Dutch government to the Netherlands Antilles island of Aruba will be drawn primarily from the development cooperation budget, the finance ministry said today.

Dutch Antillean Affairs Minister Jan de Koning announced the 30-year, 2.5 per cent loan to the Caribbean island in Oranjestad yesterday, but declined to say how it would be financed.

A finance ministry spokesman said here today 30 million would be drawn from the Netherlands Antilles aid allocation while 20 million would be drawn from development cooperation ministry's emergency aid fund.

The remaining 50 million would be drawn from the so-called 'Wellink' fund for emergency aid which was classed under the foreign affairs ministry but was largely funded by development cooperation, the spokesman said.

Aruba, due to secede from the Netherlands Antilles on January 1 1986, is facing mass unemployment and major economic problems due to the closure of Exxon's oil refinery on the island last March.

De Koning is currently on a 10-day working visit to the Antilles.

CSO: 3600/25

ECONOMIC

NETHERLANDS

UNEMPLOYMENT PREDICTED TO BE 765,000 IN 1986

The Hague ANP NEWS BULLETIN in English 15 Aug 85 p 1

[Text]

The Hague, August 14 - The centre-right government of Prime Minister Ruud Lubbers is drawing up the 1986 state budget this month against the background of predictions that more than three quarters of a million people will be unemployed next year, election year.

The Central Planning Agency (CPB) today put at 765,000 its estimate of average unemployment next year. For comparison this figure was 655,000 in 1982, 800,000 in 1983, 820,000 in 1984 and 790,000 this year.

The agency's estimate is bound to play a role in this month's cabinet talks on the budget to be presented to parliament on September 17.

The CPB said an expected further one per cent cut in working hours next year coupled with a 33 per cent filling of new vacancies would result in an extra 15,000 jobs.

It said the estimates were based on the existing situation and that new agreement could result in up to 40,000 jobs being created through shorter working hours.

Part-Time Work

The agency recommended more part-time work arguing that this would make a more positive contribution than shorter hours in providing jobs for 'many tens of thousands of people'.

The labour supply next year was estimated at some 90,000 people or 70,000 man-years, the CPB said.

It welcomed the expected growth in job vacancies by 25,000 man-years next year. It meant that with the increase in part-time work more than 25,000 people would find a job.

The growth in vacancies was spread throughout the private sector. In the public sector growth was expected to be smaller due to austerity measures.

Union Comment

A spokesman for the FNV trade union federation said the CPB estimates re-emphasised the need to redistribute work by reducing working hours.

He said the federation did not agree with CPB estimates for the filling in of shorter working hour vacancies, as a higher than 33 per cent allocation was both 'possible and imperative'.

The Christian trade union federation CNV also stressed the need for further work hour cuts especially in the public sector and called CPB unemployment estimates for next year 'unacceptably high'.

CSO: 3600/24

ECONOMIC

SWEDEN

IMF REPORT SEEN BOOSTING FELDT AS LIKELY PALME SUCCESSOR

Palme Promises Tighter Budget

Stockholm DAGENS NYHETER in Swedish 13 Aug 85 p 8

[Article by Dick Ljungberg]

[Text] The increase in wage costs this year will be about 6 percent, inflation 5 percent, and the deficit in the trade balance with other countries "closer to 5 than to 10 billion kronor."

This was predicted by Finance Minister Kjell-Olof Feldt at a hastily called press conference on Monday.

The reason for this was the secret report on Sweden's economy from the International Monetary Fund which leaked out and created a sensation in the election campaign.

On Monday the government decided to publish the entire report with various appendices. The quotes presented so far in the mass media are distorted and give the incorrect impression that the Fund has been extremely critical of developments in the Swedish economy, according to Feldt.

"On the contrary, in many respects the Fund is extremely positive toward developments in Sweden. This applies, among other things, to profitability and competitive strength in the industrial sector, which is providing an impressive upswing in industrial production, investments, and employment."

"There is nothing in the report that says we must make a major adjustment in our economy policy," Feldt said.

The Fund is critical on two important points which the Swedish government also is concentrating on, namely the rate of increase of prices and wage costs and the deficit in the foreign trade balance.

Here, however, Feldt has a more optimistic prediction than that of the Fund.

Stabilized

The Fund believes that wage costs will increase by 7 percent this year, while Feldt believes the figure will be about 6 percent. The goal in the January budget was 5 percent. The Fund believes that inflation will run at 6 percent this year, while Feldt believes it will be 5 percent and the budget goal was 3 percent. The Fund believes that the deficit in the trade balance this year will be 9 billion kronor, Feldt believes it will be "closer to 5 than to 10 billion," and the budget in January used the figure 3 billion.

Feldt explained the differences by stating that the government now had more recent predictions than those used by the Monetary Fund when its report was prepared. As an example, prices have stabilized during the summer months.

Feldt stressed again that the government had made no promises to the Fund with regard to economic policy. Such commitments are made only by countries that must borrow from the fund. Sweden has not done so and does not contemplate such loans.

Austere Budget

He also denied that the government planned to propose drastic reductions in public expenditures or increase indirect taxes after the elections.

"We have stated that the deficit in public finances will be totally eliminated during the eighties. This means that future budgets will be extremely austere, but there will be no 'bitter pills' in the form of reductions in the social transfer system."

"We do not simply accept uncritically the advice the Fund gives. It always believes, for example, that public expenditures must be reduced sharply. They maintain that austerity must take priority over employment, which we do not accept."

Falldin Wonders

Center Party leader Thorbjorn Falldin wonders why the Monetary Fund has made this report on Sweden.

"According to the regulations of the Fund, the member nations shall consult regularly with the Fund. During Falldin's time as prime minister, there were five such consultations."

Falldin clearly had no idea about this, but considering the results of his economic policy, this is hardly surprising, according to the finance minister.

IMF Urges Austerity

Stockholm DAGENS NYHETER in Swedish 13 Aug 85 p 8

[Article by Sven Svensson]

[Text] Present an economic austerity package this fall in order to reduce inflation.

The International Monetary Fund gave this advice to the Swedish government following consultations on economic policy.

Austerity measures should be applied to employment and wages in the public sector and to social subsidies and transfers.

This summary, made by the acting director of the Monetary Fund, is based on a report presented by experts at the Fund and on a minority report by Hans Lundstrom, who is the Nordic representative at the Fund.

The Monetary Fund begins by praising the Social Democratic government for attempting to combine expansion with balance in foreign trade.

The improvement in competitive strength brought about by the devaluation of 1982 led to a sharp increase in employment and in investments and exports, as well as a recovery in industrial production, it was stated.

The elimination of emergency subsidies to various industrial sectors has contributed toward a restructuring of industry in an effective manner.

Sweden's remarkably low rate of open unemployment has been reduced additionally to 3 percent, while the number of people involved in emergency public work has been reduced.

The final conclusion is that the imbalance in the economy has been reduced considerably.

The Monetary Fund then expresses concern, however, over the recent return to unsatisfactory wage-cost and price increases. Inflation remains stubbornly high and wage increases in 1985 will probably surpass the increase in Sweden's trading partners, it is said.

Wage increases in the public sector, which will extend far into 1986, also are a cause of concern. Without restraint, there is an impending danger of increased unemployment, it is stated.

With regard to the labor market, the Fund points to a certain inflexibility. Tendencies toward uniform wages and high marginal taxes help create shortages in certain areas of the labor market. High payroll taxes also seem to contribute to the inflexibility of the labor market.

In order to reduce inflation and the deficit in the foreign trade balance,

the Monetary Fund believes that austerity measures should be applied to financial policies, i.e. the government should present an austerity package.

Criticizes Taxes

This austerity should be applied to current expenditures. These include employment and wages in the public sector and social subsidies and transfers.

After pointing out that the present tax system has negative effects on the will to work and save, the Fund said it hoped there would be an austerity package this fall that would reduce the foreign trade deficit and dampen the wage and price trend.

The austerity package last May that included a 2-percent increase in interest rates, among other things, was aimed too much at monetary policy, according to the Fund.

Feldt Could Succeed Palme

Stockholm DAGENS NYHETER in Swedish 13 Aug 85 p 8

[Commentary by Sven Svensson]

[Text] If the Social Democrats win the elections this fall, Olof Palme will continue as the Swedish prime minister. If things go awry, there probably will be a call from below for a change in the party leadership. What is new is that Finance Minister Kjell-Olof Feldt has become a strong new candidate for the party leadership. Many nonsocialist politicians believe that a change in leadership would improve the chances for cooperation in Swedish politics.

The first election to a unicameral parliament, which ended the overrepresentation of the Social Democrats in the bicameral parliament, took place in 1970. It is primarily a coincidence that this event coincided with the succession of Olof Palme in 1969 to Tage Erlander as Social Democratic Party leader.

The transition to a unicameral parliament dramatically heightened the struggle for governmental power, thereby influencing the working conditions of the party leaders. The pressure to succeed in elections became enormous and, most of all, the pressure was strong on the Social Democratic Party chairman.

The party apparatus demands a Social Democratic government at all costs so that the party can act in parliament as if it had broad support among the Swedish people.

This requirement is closely related to the Social Democratic Party's average voter support of about 45 percent. No other political party even comes close to that figure. The Social Democrats have been in power for a long time, so that humility is not a characteristic feature of the party apparatus and its people.

The nonsocialists like to indicate that it is exclusively the fault of Olof Palme that political cooperation is difficult in Sweden today. Things were different during the time of Tage Erlander, they now say.

The comparison is weak. Tage Erlander and Olof Palme have worked under such differing political conditions that no comparison is possible.

During his 23 years as Swedish prime minister, Tage Erlander enjoyed unprecedented economic growth, a bicameral political safety net, friendship with Center Party leader Gunnar Hedlund, and relatively close relations with LO (Federation of Trade Unions) Axel Strand and Arne Geijer.

None of this has been true during Olof Palme's time as Social Democratic Party leader. The climate has been much more harsh and the impertinence of the mass media more striking.

In 1970, for example, the economic upswing was replaced with a downturn, the transition to a unicameral parliament placed the struggle for governmental power above issues of substance, the expansion of the public sector under Tage Erlander became something of a millstone around the neck of Olof Palme because of the heavy tax burden, and LO under the leadership of Gunnar Nilsson suddenly began to make political demands in the form of ultimata concerning wage-earner funds.

To make matters worse, in 1971 the new Center Party leader Thorbjorn Falldin saw the possibility of becoming prime minister in a nonsocialist three-party coalition. The Center Party received high marks in the opinion polls during the first half of the 1980's. The Center Party leader was no longer waiting in the political wings.

During Olof Palme's time, certain attempts have been made to create organized cooperation across bloc boundaries, for example as a result of the so-called lottery parliament. First there was the Haga agreement with Liberal Party leader Gunnar Helen, then the attempt to promote the Liberal Party government of Ola Ullsten in 1978, and the tax agreement with the Center-Liberal government in 1981.

The common denominator of these attempts is that they all occurred in an opposition position and the agreements were dropped when this was demanded by party interests.

This was the case after the reactor accident in Harrisburg that gave us the referendum on nuclear power and when LO began to grumble about the tax agreement, the new Social Democratic government, with Kjell-Olof Feldt as the prime mover, stepped forward with its red pencil.

The only possible conclusion is that there is no real support within the Social Democratic Party for organized political cooperation. What the Social Democratic Party apparatus really wants is a support party and not a partner in cooperation that would be respected because of its opinions.

Risks Seen for Feldt

Stockholm DAGENS NYHETER in Swedish 13 Aug 85 p 2

[Editorial: "The Blocs and the Coalition Model"]

[Text] A worsening trade balance and a slumping economy require "action and measures," according to a report on Sweden from the International Monetary Fund (IMF). It has also been reported that the Swedish government has informed IMF representatives that measures may be expected "this fall after the general elections."

Neither the IMF nor the Swedish voters know what the government plans to do at that time. Finance Minister Kjell-Olof Feldt says that the government does not want to increase the sales tax or introduce a wage freeze. He does not believe that "strict austerity" will be needed in 1985 or 1986.

In this case, the correct election tactic coincides with simple necessity. If Kjell-Olof Feldt is to continue being finance minister, he will be forced to rule with his hands tied behind his back. A majority for the Social Democrats and VPK will not provide a sufficient base in parliament for an increased sales tax, a wage freeze, or strict austerity measures in any form. The government will be dependent on a support party that will not be up to the task of taking responsibility for the economy.

The austerity that has characterized economic policy in recent years resulted from a measure that the parliament did not have to consider: the 16-percent devaluation of October 1982. It meant that demand was kept in check by higher prices. If another round of austerity implemented by a devaluation and inflation is rejected, then parliament must make a direct decision on what steps to take. This will increase the need for a stable majority in favor of the government's policies.

Kjell-Olof Feldt risks becoming as helpless as Gunnar Strang was during his final years as finance minister, i.e. the period just before 1976 when the country's economy became seriously derailed.

There are signs that Olof Palme wants to relax relations with the Liberal Party and the Center Party before the elections. In his speech kicking off the election campaign in Sodertalje he said that the middle parties, although "weak and splintered," basically supported the welfare society and, thus, may be considered to be on the "right" side. A proposal for cooperation a la Haga may be anticipated this fall or winter. VPK support is too unreliable.

Sweden would be best served by a coalition government in the next few years. It should be formed by an agreement in which the Social Democrats and the nonsocialist parties would act as equal partners. Common understanding must rest on a realization of mutual dependence.

A Social Democratic government with support from one or two nonsocialist

parties is not even a surrogate for a coalition government. The political course in most areas would be Social Democratic and the nonsocialist characteristics would be simply camouflage. In addition, such a government could not effectively tackle the economic problems. The Haga agreement of the seventies gives some indication of this. Only if the Conservatives participate will it be possible for the government to deal effectively with the cost problem through cooperation with the various organizations on the labor market, where the most difficult problem will be to convince employers to participate.

As a result, the support-party model should be written off. If Olof Palme and Kjell-Olof Feldt need broader support for their economic policies than VPK can offer, then they should turn to the nonsocialist parties as a whole.

There is a kind of "bloc politics" that is not self-sufficient and introverted, but open for broader cooperation. In the upcoming elections, the Conservatives, the Center Party, and the Liberal Party have a common task of regaining a majority in parliament. They must be prepared to shoulder responsibility for governing together. If there is a possibility of cooperating across bloc boundaries, then they should do that together, as well.

Bertil Ohlin used to say that a three-party nonsocialist coalition should carry out the same policies as a coalition that included the Social Democrats. That was a different time. Today one cannot ask the one bloc to show consideration for another bloc that uses its narrow majority, for example, to ram through parliament a proposal for wage-earner funds that has no support among the people.

But the nonsocialist parties learned in 1976 to 1982 that governmental power is limited and that economic policies work poorly in a general confrontation with the Social Democrats and the labor movement. They will make this same discovery again. Basically, the dilemma of the Social Democrats, as indicated by the IMF report, is the dilemma of the nonsocialists, as well.

The nonsocialists must stick together--in such a way that a bridge may be built to the other side.

9336

CSO: 3650/319

ECONOMIC

SWEDEN

INDUSTRIAL INVESTMENT LAGS AS STOCK MARKET PROFITS SOAR

Stockholm DAGENS NYHETER in Swedish 28 Jul 85 p 8

[Article by Per Afrell]

[Text] The stock market of the 1980's gets a grade of "pass with great credit" for one of its most important functions--that of supplying firms with ready capital. A little over 30 billion kronor have been put into companies during this decade.

But the question is: which ones got the money and were they the right firms? A very great deal--perhaps most--of that money has been soaked up by the nonmanufacturing firms in the market--by middlemen whose ambitions are primarily financial.

For their part, 1984 was pure bingo, since they received 10 of the 13 billion kronor put into the stock market.

The golden age for new issues was 1983 and part of 1984.

Anything could be put on the market, and at almost any price. The various ways open to exchange-listed firms for attracting money from the stock market increased, and new concepts were legion. It was an eldorado of issues and new introductions. Never has so much cheap money been for sale.

But it was not the big manufacturing firms--those usually described as the motor of the Swedish economy and the foundation of welfare--that got their hands on that fresh capital. They allowed light-footed investment firms and inventive real estate and building companies to push ahead of them in line.

Option Loans

The crescendo was reached in 1984, when the market attracted 13.1 billion kronor in the form of new issues, special issues, and issues of convertibles, option loans, and conversions.

Of that amount, a good 10 billion wound up in the coffers of nonmanufacturing firms--78 out of every 100 kronor in ready capital passed by the manufacturing firms.

The same conditions no longer exist today for exchange-listed firms to finance their activities and projects.

The "issue barometer" has fallen, and the climate has deteriorated sharply: there is a wait-and-see attitude in the market, the economic situation is a question mark, and for some time there have been failures among some of the boldest ventures. The market is no longer buying everything offered to it.

Manufacturing companies may object that there was already excess liquidity in industry during the eldorado days. But that liquidity consists of borrowed money and should not have kept so many of those firms from grabbing the chance while it existed.

Tax Advantages

Option loans provide the best example of how the nonmanufacturing firms were quicker to see and able to take advantage of the opportunities.

During the period from 1983 until the end of 1984, option loans could be floated with tax advantages for both the firm and those lending the money.

During those years, exchange-listed firms took in a total of 8.5 billion kronor through that type of issue. Only a fraction of that wound up in the manufacturing firms.

During 1984, 7.1 billion kronor were issued in the form of option loans. In terms of money, nine-tenths of that represented issues by nonmanufacturing firms--primarily investment firms.

Their reason for using that type of borrowing was that it is normally very difficult for an investment company to ask its stockholders for more money.

This is because of the so-called investment deduction, the effect of which, because of latent taxes (and for other reasons), is that anything having a market price of 100 kronor is valued at only about 80 kronor in an investment firm.

If the stockholders pay in 100 kronor, that amount will be valued at only 80 kronor once the investment firm has it. The result is that it is difficult to effect issues.

Option loans were handled so advantageously from the tax standpoint, however, that it was still possible to balance the equation. But that possibility was ended in December 1984, when the government was persuaded by the capital gains committee to change the tax rules at lightning speed.

Stock Market Issues, 1980-1984
(in billions of kronor)

Description	1980	1981	1982	1983	1984	1980-84
New issues	0.06	1.3	1.3	2.1	3.0	7.7
Special issues (1)	0.3	1.2	1.3	5.1	3.4	11.3
Introductions	0.06	0.7	0.9	3.6	3.3	8.5
Conversions	0.3	0.3	0.4	0.2	0.8	2.0
Total equity, gross	0.6	3.5	3.8	11.0	10.4	29.3
Takeovers of						
exchange-listed firms (2)	-0.3	-1.9	-1.0	-0.5	-5.4	-9.1
Total equity, net	0.3	1.6	2.8	10.5	5.0	20.2
Convertible issues	0	0.1	0.2	1.6	1.1	3.0
Total risk capital	0.3	1.7	3.0	12.1	6.1	23.2
Issues of option loans	0	0	0	1.4	7.1	8.5
Total added through stock market	0.3	1.7	3.0	13.5	13.3	31.7
Nonmanufacturing firms	0.08	1.2	0.45	4.46	10.4	16.6
Percentage share	25.0	70.0	15.0	33.0	78.0	52.3
Manufacturing firms	0.22	0.5	2.55	9.04	2.9	15.1
Percentage share	75.0	30.0	25.0	67.0	22.0	47.7

1. Special issues include issues on foreign markets.
2. Since some of the big takeovers occurred relatively late in 1984 (for example, the purchase of Nymolla by Papyrus), the actual payment may have occurred early in 1985.

The above data are based on calculations by economist Ragnar Boman. Portions were published previously in the Ministry of Industry Yearbook. The data have been completed and updated by DAGENS NYHETER.

This is only one example--although the most obvious one--of the quickness shown by the financial firms in comparison with industrial firms. That edge was also most obvious in 1984, but the same situation prevailed over the entire period from 1980 to 1984.

Market Value

In the present situation, the so-called nonmanufacturing companies account for one-third of the market value on the exchange. During the first 5 years of the 1980's, they have taken in 52 percent of the 32 billion kronor added to the stock market. If that calculation is adjusted to exclude the portion represented by special option loans, the figure still comes to 46 percent in comparison with their market value. They are strongly overrepresented.

And their share of market value has naturally risen as they have attracted more money than their competitors for capital.

But what do we mean by "nonmanufacturing firms"? In the calculations shown in the table above, the following classifications are included. These are the nonmanufacturing firms:

1. Mixed investment companies and companies concerned solely with investments. Here it might be objected that mixed investment firms do have manufacturing subsidiaries.

2. Development companies.

3. Banks--a classification open to criticism, since banks do produce services. But they have not been responsible for any large issues in money amounts during the 1980's. In their case, investment does not make any major difference in the table.

4. Real estate and building companies.

Classifying building firms as nonmanufacturing firms may cause some people's coffee to go down the wrong way. Building houses and roads is definitely a case of producing something. Our reasoning is that while many of these firms do work as contractors--that is, they build--that is not the activity for which the money was used in most instances.

In most cases, contract work is paid for in advance, with the result that the firms take in more capital than they can use in their construction activity. Instead, most of that money has gone into stock and real estate management.

And such activities cannot be said to produce anything directly.

It is easy to construct another picture of how the stock market functions. If we look at the number of firms effecting new introductions and issues, we see that the manufacturing firms are overwhelmingly predominant. But the matter cannot be viewed that way. For example, there has been a rush of over-the-counter stocks. Most of that has been stock in manufacturing firms, but in terms of market value, there are three over-the-counter markets for one Volvo. The amount of money obtained by Investor and Providentia when they sold Atlas and Stora to the stockholders was over twice as much as the over-the-counter market has attracted from its beginning. Money amounts must be used when evaluating the market, and in that case, the over-the-counter market, about which so much has been written, is almost negligible.

Evaluation

In terms of capital, it can be seen that the advance by nonmanufacturing firms in the stock market has obviously continued. They were a topic of debate when real estate firms flocked to the stock market in the early 1980's. To a great extent, money goes to middlemen before it benefits the manufacturing firms. As I understand it, what this ought to mean is that the gap in time between

the contribution of capital and its subsequent investment in production is growing longer.

The reason, of course, is that at least one additional middleman is going to be handling the money.

To a large extent, it is the financial firms which push developments in the capital market forward. They are the firms best adapted for taking advantage of situations that arise. It is from them that creative financial solutions come. For example, it seems unlikely that Volvo's attempts in that field with shares through the mail will be able to revolutionize the stock market.

Need for Capital

By their own estimation, industrial firms have a very big need for capital. If those requirements are to be met through the stock market, industrial firms will have to push themselves forward to prevent the financial firms from getting ahead of them.

But it is not possible to disapprove of the unmistakably positive results produced by the market's growth and by the fact that so-called middlemen exist. They perform--or at least they ought to perform--an important function as risk spreaders and owners in addition to other alternatives.

The basic issue is one of differences in profitability between financial and industrial investments. In that battle, the former have obviously made the most progress, in more ways than one, during the period in question.

11798

CS0: 3650/300

ECONOMIC

SWEDEN

PAPER COMMENTS ON IMPLICATIONS OF LEAKED IMF REPORT

Stockholm DAGENS NYHETER in Swedish 14 Aug 85 p 2

[Editorial: "Take IMF Seriously!"]

[Text] The IMF report was intended to remain secret. It was written by experts who had no idea that their words would be a factor in the Swedish election debate. The report is as close as it is possible to get to the ideal of independent thinking and expertise. Let us look at what it actually says about the Swedish economy!

After an introductory description, which points out a great many positive developments in recent years, the authors of the report initiate a discussion regarding the economic policy up to 1986 and the period immediately following. It is interesting to see what issue they then pick as their point of reference. They say that the Swedish government from the beginning "realized that the success of its strategy is dependent on its ability to control wages and keep down inflation."

In talks with the IMF the government representatives particularly emphasized that full employment can only be maintained if inflation decreases while the volume of saving increases. It is said that this requires curbs on wage demands and a reduction of deficits in the public sector. If policies remain unchanged, however, it cannot be anticipated that inflation will drop, Swedish experts say, according to the IMF report.

It is in this context that spokesmen for the government have stressed to the IMF that some measures are needed and that these can be expected after the election. ("The Swedish representatives - - - expected measures to be taken in the autumn following a general election.")

Kjell-Olof Feldt denies that. Nothing special has been planned for this fall. His colleagues must have been talking through their hats.

IMF experts believe that the 1985 wage increases will amount to an average of seven percent, which is two percent more than the stipulated framework. They are of the opinion that the need for some form of agreed-on wage freeze will become acute in 1986. They point out the risk that private industry employees will try to compensate for the civil servants' agreement in May and that there will be a general free-for-all, particularly in view of our low unemployment and favorable profit situation in the companies.

This sounds familiar. But have not the wages increased more each year than the experts wanted, and have we not managed anyway? Is not a seven percent wage increase rather modest, after all?

However, the government as well as the IMF realize that we cannot go on like this. The IMF cites the section on "Swedish Economy 1985-1988" of the supplementary government bill last spring. A calculation is made there of what will happen if we do not, as have other industrial nations, succeed in putting a halt to the rate of wage increases.

The calculation is founded on the assumption that the price and wage formation "follows the historically established pattern." The 1985 wages are theoretically assumed to rise by seven percent, not five, as the government officially believed last spring. The economic policy is assumed to be so strict that we will not have any trade balance deficit. No new devaluation is permitted.

The result will be declining market shares. The gross national product (GNP) will begin to drop as early as 1986. Investments will decline. Unemployment will double between 1985 and 1988.

In order to prevent our foreign debts from growing, the administration must in this arithmetic example intervene against household consumption. The wage earners will not be able to enjoy their wage increases.

This is not a horror story, just a reminder of a correlation with which we are already familiar. Without devaluations we would have been stuck in the bog, and everyone agrees that a new devaluation is out of the question.

The IMF is worried by the fact that Sweden has incurred another trade balance deficit this year. This should not have happened in view of the fact that the export companies still have considerable competitive advantages. According to the report this is partly due to excessive demand, which reveals "a weakening of the efforts which were undertaken in 1983 and 1984 to reduce the deficit in the public sector." The IMF calls attention to the absence of any major initiative during 1985 to reduce the rate of increase of public spending. It "urges" such initiatives and says that these would provide support for the attempts to hold down the wage increases.

The Social Democratic election campaign is self-satisfied and retrospective. An election message that "Sweden is on the right path," has, if one is looking ahead, just as little credibility as when the Liberal government said the same thing in 1979. Olof Palme and Kjell-Olof Feldt conceal and explain away the fateful elements of this economic development which are pointed out by the IMF report.

ECONOMIC

TURKEY

EREN PUTS RELATIONS WITH EUROPE IN CONTEXT OF ECONOMIC WAR

Istanbul GUNAYDIN in Turkish 21 Jul 85 p 7

[Article by Ambassador Nuri Eren: "Turkey Must Stop Bothering with EEC and Concentrate on Bilateral Relations"]

[Text] The conflict between Russia and America has dominated world diplomacy from the Second World War until the present. Now we see America and Russia in an effort to heighten further the tension between them. On the other hand, we are witnessing a steadily growing conflict between America and Europe today. We attended a seminar several weeks ago in Rome on "Compromise or Conflict Between America and Europe." Participants in the conference were recent and former officials of prominence and influence from the United States and parliamentarians, diplomats, writers and professors representing the general thinking in their countries from eight NATO nations.

We heard in these competent and influential voices the more violent and unrestrained aspects of the conflicts we read about every day in the newspapers. We were concerned, as a person who believes in the need for solidarity among the free nations of the West. We were reminded of our article a few weeks ago in these columns entitled, "Can NATO Last until the Year 2000?"

The meeting adjourned without reaching a consensus on compromise. Business and economic interests lay behind European complaints more than defense worries over the Star Wars Strategy. The meager share of American and Japanese progress in high-tech has driven Europe to a position enmical to the United States.

What Is High-Tech

High-tech competition between America and Japan on the one hand and Western Europe on the other will increasingly guide world diplomacy in the years ahead. It may also be the end of NATO. And it may affect Turkey's international relations as well. This article will delve into the technological race for this reason.

What is high-tech? Modern advanced technology can be divided into two categories in general. Warfare technology includes areas such as Star Wars, space travel, sending up satellites and launching missiles. This is where America dominates because atomic warfare and defense are of concern to it. Its universal priority has been assured. It is impossible for Europe to catch up with America in this area.

The rivalry has to do with the second type of technology, which is the technologies known as biotechnology and microelectronics. These are called "manipulative" technology. Or rather, the object of them is to manipulate nature's control mechanisms. Biotechnology, for example, includes work to alter human and plant cells and on test-tube babies. Everyday devices such as computers and videos figure in microtechnology. Governments dominate defense technology. The free market owns consumer goods technology. And this is why America and Japan have advanced. The American and Japanese cultures have made progress in initiative, production and marketing because they are better at it than the traditional European culture.

Why the Exhaustion

Some say that Europe is behind because the Europeans have become a tired race. An expression of the fatigue is perceived in national security. It is admitted that Russia has gained a superiority in both conventional and atomic weapons to allow it to overrun Europe in a few days. The governments in Europe, however, have been unable to mount a defense effort acceptable to public opinion.

Despite emphasis on the resolutions adopted within NATO, realization of the 3-percent increase in the European defense effort has not been possible. To the extent, in fact, that new anti-defense parties have been formed and elected to parliament in Germany. The idea "Better red than dead" has spread everywhere. Dominated by such resignation, the European community has reached the point where it is no match for America and Japan in technological competition, which requires creative thinking, hard work and driving initiative.

A study conducted by the Organization for Economic Cooperation and Development, a body composed of 24 industrial states including Turkey, came up with alarming results for Europe.

Since 1975, America and Japan have created 3 million new jobs in the computer, video, television and telecommunications areas, while Europe has lost 200,000 jobs.

Between 1970-1980, Europe lost 17 percent of its share of world markets, although America increased its exports by 36 percent and Japan by 38 percent. America owns 50 percent and the Japanese 40 percent of world sales in electronics exports today.

The European Community had a \$1.7 billion surplus in electronics sales in 1975, but now has a \$10 billion deficit.

European manufacturers are losing their own national customers. Eight out of every 10 computers sold in Europe are American. Nine out of every 10 video cassettes were made in Japan. IBM had \$12 billion in sales in Europe in 1982, five times more than its biggest competitor.

Research Culture in Europe

Worldwide last year, \$9 billion were spent on research in the computer industry. Europe managed to have only 7 percent of this, because the research culture in Europe lags behind America and Japan. Moreover, research in Europe is academic, not oriented to practical results. The traditional European culture looks down on practical, commercial research. Bruno Lamborghini, director of economic research at Olivetti, Italy's largest company in the field, complained in a speech at the OECD conference, "There is no research in Europe to transfer information to consumer goods and producers."

The OECD report also noted that Europe's factories are old. Their profits are low because of low productivity. Taxes are higher. Investment opportunities are limited. At the same time, government policies have had negative results. For example, France nationalized its electronics industry 3 years ago and drew up a program designed to provide jobs for 200,000 workers. The electronics industry was to have earnings of \$3 billion a year. The results have been completely opposite. The state-owned businesses have suffered enormous losses and have pointed out the need for billions of dollars in new investments.

Another Reason

Another reason for Europe's sluggishness is that the new technology which needs large markets has been confined within national borders. The Common Market was formed 27 years ago, but its members have yet to see the free trade envisioned among themselves. The member states have developed protectionist barriers against one another in practically every area from agriculture to the most advanced technological industry. Western Europe harps on the philosophy of the free economy, but has not got from A to B in a free economy even among itself.

The American-Japanese rivalry has turned Europe totally inward instead of pressing for new progress. In addition to adopting excessive protectionism against both Japan and America, it has developed political hostility against America. This hostility has come out strongest in the Star Wars matter.

Power to Support Defense Technology

Meanwhile, it is considered impossible for Europe to catch up to the technology race between America and Japan because of the structural difference between the Japanese and American Community and the European Community. British Prime Minister Margaret Thatcher's financial adviser Ashworth says:

"The power that supports defense technology is government. If the governments work at it, they can give European technology new power. But manipulative technology includes the consumer goods market. Europe and especially Britain are aristocratic societies. They are more oriented to luxury goods. America and Japan, however, are middle class countries. They cut their teeth on technical implements. They will therefore retain their superiority in the manufacture of technological goods requiring extensive markets such as televisions, videos and computers."

Europe's industries reflect its structural disadvantages. OECD experts asked 200 big industrialists from 16 European countries which branch of technology Europe was superior in. Not one of them gave Europe superiority in any branch at all. According to Wolfgang Wild, rector of the Munich Technical University, Europe has been unable to hold on to its initial superiority in technology for both structural and political reasons.

There are economic reasons for this. The traditional social structure is an obstacle, but the biggest threat is the political trend in this regard. Europe is blaming others for its mistakes, thus avoiding structural reform. Instead of working for superior technology and superior productivity, the governments mess around with protectionist measures and have to remain on the defensive. As a result, poor factories keep turning out poor products and become a burden on the national economy.

Military power in the world today, according to what we read in the daily press, clearly depends on technological superiority. At the same time, economic power is being transferred to the new technology from traditional industry. Textiles, iron and steel and even automobiles have shifted to the third world. The great industrial state of tomorrow will be the one that has the new technology. Because the European states do not think they have a chance in this race, they are lashing out both at one another and at America and Japan and refuse to play by the rules, like someone who has lost a privileged position. The source of the stinginess we are seeing within the European Community and the conflict verging on repudiation of the strategic partnership with America is Europe's impotence.

Is It We Who Are Wrong

Our problems with the European Economic Community and the European Parliament are a part of this general scene. The problem will just be another in the long list of problems of a Europe that does not know where the tangled snarl will end. It is natural that it should lash out at Turkey's demands for partnership. What is not natural is our insisting "We will join you," particularly when Europe is in such a situation, and our thinking that we are being discriminated against because we are Muslims when there is an adverse reaction.

There are few international events we could mention since the Turks came to Europe in which the Turks did not play a part in Europe. Today it is obvious that a Europe without Turkey is impossible at a time when Europe's energy sources extend into the Middle East. But we cannot get a Europe that has lost the belief in its own value to admit how valuable we are by demonstrating our weaknesses.

We must take into account Europe's ailing economy and especially its ailing mentality and adjust our approach to Europe accordingly. We must stop pounding on doors insisting "We are European." Instead of straining our relations with the Common Market, the European Parliament and the Council of Europe, we should let go. The strain has an adverse effect, as we have seen in the past 3 years, keeping alive in the world press such questions as: "Does democracy exist in

Turkey?" and "Are human rights being observed in Turkey?" Moreover, it leads to quarreling over our country in the parliaments of others countries, which they have to right to do.

Also, it interferes with our bilateral relations with countries which hold an important place in our foreign relations such as Germany, producing unwanted results. From this standpoint, we should stop trying to deal directly with the European Community.

We should strive to develop outside the shadow of our relations with the EEC our bilateral relations with the key European countries with which we share weighty geostrategic and economic interests such as Germany, Britain and Italy. We have to keep that shadow off the efforts to bring the special relationship with America to a most favored nation status. We have to put cooperation in the Middle East on the agenda in our relations with America.

For Turkey to have its hands tied in a climate in which civil and foreign war in the Middle East is threatening to alter the internal and external structure of the states is to say that it will neglect its interests. Yet, the present climate offers opportunities for joint action with America with the moderate, positive states of the region such as Egypt, Jordan and Iraq. We have to work for the development of the relations our prime minister has established with China and Japan. A Turkey with secure relations with the countries having both geostrategic and economic clout internationally would be spared the application-rejection syndrome and would be a sought-after partner.

8349
3554/143

ENERGY

EUROPEAN AFFAIRS

EC'S NEW ENERGY POLICY OBJECTIVES TO 1995

Rome RASSEGNA PETROLIFERA in Italian 27 May 85 pp 407-408

[Text] Increase EC energy production by at least a quarter; net oil import equal to less than a third of energy consumption; maintain or, if possible, increase the share of natural gas and solid fuel; limit to a maximum of 10 percent the share of hydrocarbon-produced electricity; produce approximately 40 percent of the electricity by means of nuclear power; triple the production of new and renewable energy by the end of the century. These are the principal specific goals which the European Commission proposes to the [European] Council in its project "New EC energy objectives to 1995."

Overall Objectives

The overall objectives, common to all sectors of energy production, will guide the general energy policy of the EC.

--External relations: these have to be developed through a common coordinated effort, not only with oil exporting countries, but also in dealings with foreign suppliers of coal and natural gas. The importance of the EC as the major world user of nuclear energy is an advantage which should be exploited in dealings with foreign suppliers of uranium and other raw materials. Finally, the EC should intensify cooperation with developing areas and countries in matters regarding energy planning. Relations with other industrialized nations should be maintained at a bilateral level, and in the realm of the IEA/OECD [International Energy Agency/Organization for Economic Cooperation and Development] and other international bodies.

--Internal energy market: further its coordination so as to increase assurance of supplies, reduce costs, and strengthen economic competition through greater opportunities for competition. Assurance of energy supplies: It is foreseen that EC dependence on imported energy will increase during the rest of the century.

--Price of energy: the EC principles for determining energy prices are to be applied to all sectors of energy consumption, guaranteeing effective competition among the various fuels and correctly guiding consumers in all their investments and choices of fuel. According to the Commission, this is one of the principal objectives of the EC by 1995 as it is essential for achieving all the energy policy objectives.

--Environment: well-balanced research to find adequate solutions should be conducted above all through the use of the best economically sound existing technology and through increased fuel efficiency.

--Regional development: the Commission intends to strengthen, in particular, activities of regional policy already pursued in the past through: fulfillment of an EC program meant to encourage energy development which would have high local impact in less favored areas; development of means of energy conversion in regions affected by structural changes of the EC energy industries. Additionally, it will continue to finance energy studies at a regional level.

--Technological innovations: it will be necessary to continue to promote new energy technology research, development, and demonstration.

Sectorial Objectives

For the different energy sources the Commission has recommended the following objectives:

--Rational use of energy: new increased energy yield in all energy sectors so as to increase by 25 percent in 1995 compared to 1983 the energy yield to the end user.

--Decrease dependency from oil imports: the objective consists in maintaining until 1995 oil imports at a level which would be less than a third of total energy consumption, by following a policy of oil substitution and by favoring EC domestic exploration and production. Between 1973 and 1983 the oil fraction of the gross energy consumption of the EC (including reserves) was brought down from 62 percent in 1973 to 48 percent in 1983. In absolute figures this is equivalent to a saving of more than 160 million tons per year.

--Natural gas: consumption will certainly continue to increase for the rest of the century, a good trend for consumers which has to be encouraged. The Commission proposes maintaining or even increasing the share of natural gas in the overall EC energy consumption; achievement of such objective will depend on the relative prices of gas in the various consumer markets.

--Solid fuels: the objective consists in maintaining and, if possible, increasing the market share of these fuels. Concurrently, it will be necessary to restructure the EC industries which produce these fuels. Nevertheless, if a sustained effort is not made, certain factors could curb the increase in coal consumption and other solid fuels. There will be a need to exploit the possibilities offered by heating of urban dwellings and solid fuels should gain even more importance in the production of electricity.

--Production of electricity: the 25 percent increase in electricity demand between 1973 and 1983 was realized mainly because of the increased utilization of solid fuels (+32 percent) and the development of nuclear energy production which has more than quadrupled. In the coming years, nuclear energy will probably comprise more than half of the increase in total energy

consumption; but for nuclear energy to represent 40 percent of the EC production of electricity in 1995, there will be a need in the next 3 years to make the necessary decisions for activating supplementary nuclear energy capacity between 1991 and 1995.

--New and renewable sources of energy: while already extensively exploited, conventional hydraulic energy should continue to furnish the EC energy balance-sheet about 12 million tons of oil equivalent [TOE] yearly; the potential of other alternate sources of energy in the year 2000 varies between 30 and 40 million TOE on condition that rapid technological progress occurs; such figure is to be compared to the 15 million TOE for 1985. The Commission, however, is preparing a separate report on the problem of new and renewable sources of energy.

--Effect of EC enlargement: it seems that oil dependency of the enlarged EC will be in 1995 more or less at the same level of the EC 10-member group.

13120
CSO: 3528/81

ENERGY

DENMARK

OIL DRILLING MONOPOLY CHIEF ON JOB, POLICIES

Copenhagen AKTUELT in Danish 8 Aug 85 p 14

[Article by Henrik Skov]

[Text] "Less paperwork!"

Holger Lavesen had no doubt when we asked him to mention the difference between his present job as full-time chairman of Dansk Olie og Naturgas (DONG) [Danish Oil and Natural Gas] and his previous job as permanent undersecretary of the Environment Ministry.

DONG is a corporation and, consequently, not subject to the rather rigid employment and licensing procedures of the state. This means in practice the disappearance of large heaps of files, and Holger Lavesen has been able to put away his large briefcase. The long rows of files characteristic of any ministry are gone.

Greenland Watercolor Paintings

Instead, the chairman of DONG has decorated his bright and elegant, though not particularly showy, office with Greenland watercolor paintings.

Holger Lavesen changed jobs in November of 1983. At the time when he received a call from the Ministry of Energy he was participating in a Danish environment delegation to China. Minister of Energy Knud Enggard was thinking of firing Jens Christensen, the chairman of DONG, and wanted to find out if Holger Lavesen would be prepared to take over the warm post.

Holger Lavesen accepted the offer and left the Environment Ministry, of which he had been in charge since its establishment in 1971. It became a tough period, during which the worst problems of the gas project piled up. Industry did not want to buy at the price demanded by DONG and the regional companies. The large volumes of gas they were obligated to purchase from DUC [Danish Underground Consortium (of oil and gas firms)], operated by A.P. Møller, were difficult to sell, and, though much against their will, the power companies were pressed to purchase the gas. Due to the slackness among the buyers, DONG

had to ask the state for a subsidy of 4.7 billion kroner. On top of it all came a poll, taken by the public opinion polling institute AIM, which placed DONG as the country's clearly most unpopular enterprise.

Today, the worst problems have been solved. New price systems have attracted industry, a broad political agreement ensured the necessary investments, and the Swedes, apparently, want to purchase more of the gas. The quantities which the power companies have been obligated to purchase, therefore, have been reduced. Even the sluggish homeowner customers are beginning to show increased interest.

Fiftieth Anniversary Next Friday

The chairman will be celebrating his fiftieth anniversary next Friday. A quite plausible reason for drawing a working portrait of the man who emerged from the dark ministerial hallways to become a publicly well-known leader of a much scolded enterprise.

[Question] Can you amplify the difference between working in the ministry and in DONG?

[Answer] We are given a freer rein than in a ministry which is subject to the rather rigid regulations of the state. When once a week I have a meeting with the board of directors, the agenda and a brief summary are the only papers. In the ministry, we dragged along heavy files.

In addition, as a corporation, it is much easier for us to measure our work. In a ministry, it is difficult to see if one does the right thing, whereas we are able to measure our efforts in kroner and øre.

[Question] Is the work load today easier?

[Answer] It is, at least, more pleasant. I am, to a large extent, able to arrange my working day myself, whereas, within the ministry, one is subject to the rhythm of the political system. Being permanent undersecretary makes extremely heavy demands on one's time. I managed to work under seven different ministers, and that in itself increased my work load, as new ministers need more guidance.

[Question] You have to put up with appearing a lot in the media. Do you like that?

[Answer] If I like it or not--it is always interesting to deal with things which are demanding. I had realized beforehand that, in my job in DONG, I would be rather exposed to the public, whereas within the ministry, one works behind closed doors.

[Question] In the political unrest, DONG has largely been identified with your name.

[Answer] That is certainly not our desire. It is clear that, at first, I made statements rather often, but it is DONG's policy that everybody

responsible for an area has the right to make statements.

Lowest Grades

[Question] The poll taken by AIM places you as Denmark's most unpopular enterprise. Is that reasonable?

[Answer] That is hard to say. We have, of course, made certain mistakes, but the construction work itself--the construction of the oil pipeline from the fields in the North Sea to the west coast of Jutland and of the large gas network--was carried out as scheduled and at the cost provided for in the budget. That work is highly regarded both in this country and among foreign experts.

[Question] What mistakes did you then make?

[Answer] We have, first and foremost, underestimated our problems in selling the natural gas to the customers. We are up against twenty-five oil companies which, of course, will be doing everything to keep their customers. In 5-6 years, many of them will have vanished from the market, and that, of course, results in keen competition.

Consequently, we are now reorganizing our marketing efforts. We shall, to a larger extent, be selling the gas on the basis of environmental arguments. Gas is much cleaner than coal and oil and does not cause any acidification of the environment. With the growing awareness of the environment, we believe that this argument will become increasingly important.

Political Umbrella

[Question] Not many Danish companies have a working chairman of the board. Is it your task to be the political umbrella, to attend to meetings with politicians, thus enabling your managers to work in peace and quiet?

[Answer] I would not say that, but it is clear that a large part of my time has been spent on external activities. However, the distribution of work between me and our managers is decided on a current basis, and we have not actually taken the time for any major fundamental considerations.

A Great Future

[Question] There is an atmosphere of peace about DONG at the moment. You will be expanding your network quietly, selling your gas to Danish and foreign customers. Private enterprises have an inherent urge to constantly expand into new areas. Will you be able to survive and attract the right people if you do not expand?

[Answer] Indeed, that is what we are doing. In the course of the next couple of years, our turnover will increase to 9-10 billion kroner, and a large

number of new activities will be started. We have just established the company of Danop [expansion unknown] together with a number of private enterprises. Danop will be the technical leader of the exploration of certain oil and gas fields. In addition, we shall further develop the use of gas in small and medium-sized power plants, and, in cooperation with the Transport Company of the Metropolitan Area and perhaps the Dairy Association, the gas companies will be looking into the possibilities of using gas profitably in buses and dairy trucks. Finally, we are considering launching a research project to find ways of utilization of minor fields. Indeed, we have got sufficient tasks to tackle.

All-Round Person

[Question] Since your graduation in law in 1961, you have been working in various ministerial departments, you have been teaching at the university, you have held honorary posts in your professional organization, you have been chairman of the Pension Fund of Attorneys and Economists and have been a member of the shareholders' committees of Bikubenfonden [Beehive Savings Bank Housing Corporation] and Kreditforeningen Danmark [First Mortgage Credit Institute Denmark]. Is it your style to spread yourself into such widely different fields of work?

[Answer] Indeed, I am an all-round person. It goes without saying that I have gradually made myself quite well-acquainted with gas issues, but I shall never become a specialist. By the way, that is not the idea either.

[Question] For how long will you remain chairman of DONG?

[Answer] That is for the Minister of Energy to decide. I like my job and have no plans to seek other work.

7262

CSO: 3613/192

ENERGY

NETHERLANDS

GAS RESERVES DOWN BY 45 BILLION CUBIC METERS

The Hague ANP NEWS BULLETIN in English 3 Aug 85 p 4

[Text]

The Hague, August 2 - Expected reserves of Dutch natural gas totalled 2,035 billion standard cubic metres on January 1, 1985, compared with 2,080 billion one year earlier, Economics Minister Gijs van Aardenne reported today.

The share of proven reserves within the total fell to 1,900 billion standard cubic metres from 1,940 billion, the minister's annual report to the second chamber of parliament showed.

The report, based on information from the government geological service (RGD), said natural gas production came to 75 billion standard cubic metres in 1984, unchanged compared with the previous year.

Production was partially offset by a net gain of 30 billion standard cubic metres from new gas finds and reassessment of existing fields, so expected reserves fell by only 40 billion.

Cumulative production of Dutch natural gas until January 1, 1985 was 1,239 billion standard cubic metres, the report said.

Figures on gas production and reserves expressed in standard cubic metres are not comparable with those published by Nederlandse Gasunie which are expressed in cubic metres of Groningen natural gas equivalent.

The report said cumulative production of Dutch natural gas until January 1, 1985 was 1,194 billion cubic metres of Groningen natural gas equivalent.

Oil Production Up

Expected reserves of Dutch oil totalled 75 million standard cubic metres on January 1, down from 78 million one year earlier. The share of proven reserves within the total fell to 27 million from 30 million.

Oil production came to 3.4 million standard cubic metres in 1984, compared with 2.8 million in 1983 and was partially offset by a net gain to expected reserves of 0.6 million from new finds and reassessments.

Cumulative Dutch oil production until January 1, 1985 was 64.5 million standard cubic metres, the report said.

CSO: 3600/26

OCEAN/POLAR ISSUES

BELGIUM

PROGRAM OF ANTARCTIC RESEARCH PLANNED

Brussels LE SOIR in French 1 Aug 85 p 2

[Article by Guy Duplat]

[Text] There was no one like Willy de Roos, our solitary navigator, for probing the icebergs and tickling the penguins of the Antarctic. Some 15 years ago our scientists put their mittens and other very cold weather gear in storage. For 15 years now the King Baudouin base has been closed and at the same time a damper was placed on the spirit and exploits of the likes of Adrien de Gerlache. On Monday, at its latest cabinet meeting and at the instigation of the minister of science policy and planning, Philippe Maystadt, the government approved a program for Belgium's renewed presence in the Antarctic.

But we shall not return by the main door of the freezer. The King Baudouin base will not be reopened. It would have cost 180 million Belgian francs a year to make it operational once more. We shall manage with a credit of 91 million francs over and 3 and $\frac{1}{2}$ years. With that amount our scientists (undoubtedly about 15 of them) will be able to participate in permanent missions at the American Antarctic bases or take part in polar expeditions together with other missions during the rare periods of clement weather (if ever) in the Antarctic. Belgium's six major universities (the Catholic University of Louvain [Walloon section], the Free University of Brussels [Walloon section], the University of Liege, the Catholic University of Louvain [Flemish section], the State University of Ghent, and the Free University of Brussels [Flemish section]) will be involved in this effort.

Why this renewed Belgian presence in the Antarctic? The purpose is not to find a larger freezer so as to place the "Brussels problem" in cold storage there or to bring back ice floes to Belgium to cool the overheated engines of the politicians. Rather, the Belgian presence will have essentially two goals.

The first is a long-term goal. The Antarctic, that vast virgin continent, will perhaps be the Eldorado, the Far West of the 21st century. Experts estimate that its subsoil could contain immense natural resources. But its systematic exploration is only just beginning. First, because the climatic conditions are dreadful there (the temperature may drop below minus 50 degrees Centigrade). Then, because the Treaty of Washington signed in 1959 protects the Antarctic from any commercial exploitation, from any territorial claim, and

from any militarization in the name of safeguarding one of the last "pure" environments that humanity has preserved. But in the long term it is probable that there will be a rush for the "frozen gold." Incidentally, from 14 to 26 October 1985 Brussels will be the scene of an important meeting by the signatories of the Antarctic treaty preparatory to the revision of the Treaty of Washington.

Should a breach occur in the exploration of the Antarctic's subsoil, Belgium wants to be in on it. And to be able to interpret the mineral explorations that would be pursued there, to be able to participate one day in their mining, we must train a core of scientists, a strike force that will enable us to follow from close by what will happen on that enormous continent in the coming decades.

The second reason for Belgium's return to the frozen landscape of the south is of much shorter term. The Antarctic is a "pure" environment protected from all human influences. Our scientists are preparing computer models of the marine environment, climate, and ecology in our country. The best-known model is undoubtedly the mathematical model of the North Sea. But it is necessary to test, to standardize these models in a reference environment, at point "zero" in a virgin environment, in the Antarctic. This is the exercise that will be realized.

More specifically, four research topics have been selected:

1. The ecology of the plankton which conditions the entire food chain;
2. Marine geochemistry;
3. Marine geophysics;
4. Glaciology and climatology: The dynamics of the ice cap; the interactions among ocean, ice, and the atmosphere; computer models of ice-bound seas and the isotopic composition of repeated ice freezes.

Finally, 30 million francs a year are not excessive to buy our admission ticket to the great white circus of the 21st century. That is what our ministers agreed upon.

2662
CSO: 3619/92

ENVIRONMENTAL QUALITY

EUROPEAN AFFAIRS

SWEDISH MARINE BIOLOGIST WARNS BALTIC IN DANGER

Stockholm DAGENS NYHETER in Swedish 25 Jul 85 p 16

[Article by Bitte Hammargren]

[Text] Fish are unusually abundant in the Baltic Sea. But unfortunately, that is a sign that the ecological system is out of balance. Discharges of nitrogen and other substances harmful to the environment are eliminating the oxygen on the floor of the Baltic, which is in danger of being turned into a "desert."

Those are the conclusions drawn by Fredrik Wulff, associate professor at the Institute of Marine Biology on Ask Island in the Trosa Archipelago.

Working with marine biologists in Finland, the Soviet Union, Poland, Denmark, the GDR, and the FRG, he has evaluated the results of an international program for monitoring the Baltic Sea's waters.

The cooperation began 5 years ago as a result of the Helsinki Accords, and the first report has now been completed.

The increase in the stock of fish is not a healthy sign. Rather, it is due to discharges of nitrogen-containing matter from precipitation, agriculture, and industry.

Oxygen Being Used up

Nutritive salts fatten up plant plankton and animals living on the sea bottom, and they in turn provide more food for fish. But when that plankton decomposes, oxygen is used up.

Fredrik Wulff explains: "At a depth of 100 meters or more, there is no oxygen left today. Generally speaking, it is a 'desert' at that level. As the next step, oxygen will disappear from increasingly shallow depths."

DDT and PCB levels have declined in recent years, however, and the level of mercury in Baltic Sea fish has also been falling.

"On the other hand, other toxins that are difficult to analyze have cropped up. This involves chlorinated hydrocarbons as toxaphene."

No Hope

The technical and practical know-how for putting a stop to discharges exists. But Fredrik Wulff has little hope that radical measures will be adopted.

"It is an economic and political issue. In the long run, we cannot afford to let the discharges continue. But the farmers are trapped in an economic system that makes it difficult for them to reduce their use of fertilizer."

"Sweden Pitiful"

Fredrik Wulff does not feel that we in Sweden have reason to thump our chests in comparison with other Baltic states:

"Finland, Poland, and the GDR make a bigger contribution to the international monitoring program. It is pitiful that with its long Baltic coastline, Sweden does not do more.

"We are good at building sewage treatment plants, but discharges of nitrogen are just as high today because more fertilizer is being used in agriculture."

Nor it is possible to throw the responsibility on other Baltic states, says Fredrik Wulff.

"If we consider the total amount of toxins discharged by Sweden, the amount is small. But on a per capita basis, Sweden discharges as much as Poland. The fact that the monitoring program got underway is a positive factor, however," says Wulff.

"There is a tremendous difference compared to the situation 5 or 6 years ago."

11798

CSO: 3650/300

- END -

END OF

FICHE

DATE FILMED

October 1, 1985